Payment Systems Regulator

Market review of card scheme and processing fees: Final decision

Information, transparency and complexity remedy; pricing governance remedy

July 2026

PS26/1

Contents

Note: The places in this document where confidential material has been redacted are marked with a '[✂]'

1 Executive summary

Our market review

1.1 In MR22/1.10, *Market review of card scheme and processing fees: Final report* (March 2025), we[1] concluded that:[2]

- Mastercard and Visa (the schemes) are subject to ineffective competitive constraints on the acquiring side of the market.
- The schemes do not give acquirers sufficiently clear and detailed information about their fees, which creates poor outcomes for acquirers and merchants.
- Fees have risen substantially in recent years, with no clear evidence that new fees are set on the basis of detailed cost analysis, competition or innovation. We have found evidence of Mastercard's and Visa's UK profits that is consistent with a finding that their margins are higher than would be expected in competitive markets. However, in view of the limitations of the data available, we did not consider that we could reach firm conclusions on the schemes' UK profitability.

Remedies

1.2 In April 2025, we published CP25/1, a consultation on four potential remedies for these issues and the detriment they cause.[3]

1.3 In December 2025[4] we decided to adopt the following two remedies and consult on the detailed wording of two directions to implement them:

- **Information, transparency and complexity (ITC) remedy:** This remedy will ensure that the schemes give acquirers better information to help them understand their fees, who can pass this on to merchants through their contractual relationship.
- **Pricing Governance remedy:** This will ensure that the schemes produce better evidence showing how they make pricing decisions. This in turn will enable us to better assess whether the market for scheme and processing services is working well.

1.4 We also decided in December 2025:

- to not pursue the publication of schemes' information remedy
- to further engage on the Regulatory Financial Reporting (RFR) remedy. The purpose of this remedy is to enable us to collect data that gives us a reliable, ongoing understanding of the schemes' UK profitability. In turn, this will enable us to better assess whether the market for scheme and processing services is working well.

1 References to 'we' and 'us' should be read as referring to the PSR. As part of the Government's plans to consolidate the PSR into the Financial Conduct Authority (FCA), references to action the PSR may take in the future should be understood as including the FCA pursuant to legislation to consolidate the PSR and FCA.

2 MR22/1.10, *Market review of card scheme and processing fees: Final report* (March 2025), paragraph 8.9.

3 CP25/1, *Market review of card scheme and processing fees: Remedies consultation* (April 2025).

4 CP25/3, *Market review of card scheme and processing fees: Consultation on proposed directions* (December 2025), paragraphs 1.4 to 1.14.

In May 2026, we published our decision to implement the RFR remedy and consulted on our proposed direction to implement it.

1.5 Today we are giving two final specific directions (the ITC Direction and the Pricing Governance Direction) to each scheme using our powers under section 54(3)(c) of the Financial Services (Banking Reform) Act 2013 (FSBRA).

1.6 In this policy statement, we set out our assessment of the consultation responses in relation to the drafting of the specific directions to implement the ITC remedy and the Pricing Governance remedy. We also summarise the main changes we have made to them following consultation.

Main changes following consultation

1.7 We received submissions to our CP25/3 consultation from nine parties, including the schemes, trade associations, acquirers and other stakeholders active on the acquiring side of the card payment market. We considered those representations carefully, including concerns about proportionality and implementation burden. The main changes we have made to the draft directions we consulted upon are the following.

1.8 In CP25/3, we proposed materiality thresholds for the ITC and Pricing Governance remedies, reducing the number of fees that some elements of the remedies would apply to. In the final directions we have set the relevant thresholds at £250,000 of annual gross revenue (having consulted in CP25/3 on a figure of £100,000 of annual net revenue).

1.9 We also refined the ITC requirements to provide acquirers with information they need to reconcile the fees charged by the schemes with the transactions that triggered those fees. The ITC Direction no longer requires the schemes to provide transaction-level identifiers. Instead, they must provide the relevant 'fee logic' (i.e. sufficient and adequate information that acquirers need to reconcile billed fees in their invoices to the originating transactions).

1.10 Taken together, we consider these changes make the remedies more effective and proportionate.

Benefits of our remedies

1.11 Our remedies are designed to make the card payment market work better on the acquiring side.

- The ITC Direction will deliver meaningful benefits by making scheme and processing fees easier for acquirers to understand. This should help reduce unnecessary operational costs, support more accurate billing and pricing to merchants, and help acquirers and merchants make better-informed choices about optional services and avoidable behavioural fees.
- The Pricing Governance Direction will strengthen the discipline, transparency and accountability of the schemes' pricing decisions. Addressing the uncertainty and insufficient information on the drivers of the schemes' pricing decisions will enable us to better understand and monitor the market. These remedies will help address the issues identified in our market review and support better outcomes for acquirers, merchants and ultimately consumers. Our cost-benefit analysis concludes that the benefits of the remedies are likely to outweigh their costs, both individually and taken together.

Implementation timeline

1.12 The Pricing Governance Direction requires the schemes to implement the remedy within four months of this publication, so that relevant fee decisions are compliant from November 2026.

1.13 The ITC remedy will have a longer implementation period of 12 months, reflecting the more substantial systems and operational changes required. The schemes must comply with the substantive requirements of the ITC Direction from July 2027.

Structure of the rest of this document

1.14 This document sets out:

- our assessment of representations made on the draft directions we consulted upon (Chapters 2 and 3)
- our proportionality assessment and consideration of relevant regulatory requirements (Chapter 4)
- our analysis of the evidence on materiality thresholds (Annex 1)
- our cost benefit analysis (Annex 2)

1.15 We have published the ITC Direction and the Pricing Governance Direction separately alongside this document.

2 Information, transparency and complexity (ITC)

The ITC Direction will require Mastercard and Visa to give acquirers clearer and more useful information on existing, new and modified fees, so that they can understand how fees are triggered and reconcile billed fees.

Our findings and final decision

2.1 In our final report, we concluded that Mastercard and Visa do not give acquirers sufficiently clear and detailed information about scheme and processing fees. This creates poor outcomes for acquirers and merchants. [5] We found that:

- The information the schemes provide is often not enough for acquirers to understand behavioural fees. The impact on acquirers varies, with some saying it costs them hundreds of thousands of pounds.
- It is difficult for acquirers to understand mandatory and optional scheme and processing fees, because they are very complex and the schemes do not give them sufficient information.
- Acquirers face difficulties in obtaining timely and adequate responses from the schemes to their clarification requests (via account managers or support teams). This can have significant financial and non-financial consequences for the acquirers.
- Acquirers experience difficulties accessing information through schemes' online portals.

2.2 To address these findings, we decided to adopt an ITC remedy requiring the schemes to provide clearer information to acquirers. In December 2025 (CP25/3), we consulted on the wording of the proposed ITC Direction. Specifically, we proposed that the schemes should provide:

- For ITC1 (existing fees):
  - the minimum information that is necessary for acquirers to understand the nature of scheme and processing fees and how they are triggered
  - the minimum information that allows acquirers to perform effective reconciliation of their fees in a relevant billing period

5 MR22/1.10, paragraph 7.116.

- For ITC2 (new and modified fees):
  - the minimum information that is necessary for acquirers to understand new and modified scheme and processing fees and how they are triggered six months before they are implemented
  - the minimum information acquirers need to understand the financial impact of new or modified behavioural fees on request and make it available three months before its introduction, or a change is implemented

2.3 We proposed that the schemes should do this within 12 months of us publishing the direction.

2.4 In addition, our proposed ITC Direction included:

- several provisions to ensure that the information meets acquirers' needs (including requiring the schemes to engage with acquirers during the implementation phase of this remedy)
- a materiality threshold excludes small new and modified mandatory and optional fees from certain ITC2 requirements on proportionality grounds
- an anti-circumvention clause
- several provisions to enable us to monitor compliance effectively

2.5 The final ITC Direction contains the same provisions with the following changes:

- We have increased the materiality threshold for certain ITC2 requirements relating to new and modified mandatory and optional fees from £100,000 (net revenues) to £250,000 (gross revenues).
- We have refined the requirement for schemes to provide information for fee reconciliation. They must now provide the relevant fee logic that enables acquirers to reconcile billed fees to the originating transactions, rather than transaction-level identifiers as we originally proposed.
- We have made several other minor changes, including drafting suggestions from consultation responses.

2.6 Overall, as set out in more detail in the CBA (see Figure 5), we consider that the final ITC Direction should deliver meaningful benefits by making scheme and processing fees easier for acquirers to understand. This should help reduce unnecessary operational costs, support more accurate billing and pricing to merchants, and help acquirers and merchants make better-informed choices about optional services and avoidable behavioural fees. This will help address the poor outcomes for acquirers and merchants identified in our market review.

2.7 In the rest of this chapter, we consider the main representations made in response to our December 2025 consultation and set out our reasons for amending or retaining specific elements of the remedy.

Whether the ITC Direction achieves the aim of the remedy

2.8 In response to CP25/3, stakeholders have made submissions relating to the aims of the remedy which we have taken into account in assessing whether the drafting of the ITC Direction achieves those aims.

Schemes' views

2.9 Visa continued to raise concerns about the basis for the ITC remedy and its proportionality.[6] It said we placed undue weight on a selection of negative feedback from some acquirers that was not gathered or assessed on a systematic basis and failed to properly reflect Visa's evidence, including on its recent transparency enhancements.[7,8]

2.10 Visa also argued that our proposed directions did not meet our statutory obligation to act proportionately.[9] Nevertheless, it said that certain elements of the ITC remedy could, if appropriately scoped, improve outcomes for end users, the wider payments ecosystem, and the UK economy more generally.[10] Visa stated that it is committed to providing transparency to acquirers to help them understand their fees and supports acquirers enhancing their transparency to merchants. It said it already provides relevant information to acquirers to enable them to understand their fees and responds transparently to any acquirer requests.[11]

2.11 Mastercard said it did not consider the ITC remedy to be justified by our findings, but it did not object in principle to the ITC remedy if we implement it in a proportionate and practicable way. It said we could address its concerns through specific amendments to the ITC Direction without changing the remedy's overall intent.[12]

Other stakeholders' views

2.12 Other responses broadly supported the remedy and its objectives.[13] These came from seven stakeholders, including two acquirers, an electronic money institution (EMI), and four trade bodies (one representing financial services firms, and three representing merchants).

2.13 A trade body representing merchants said the remedy is a proportionate and necessary step to address long-standing concerns about transparency and increasing fees. They said that clearer, more consistent and more usable information should make fee changes easier to understand, improve predictability, and help retailers to reconcile scheme and processing fees more effectively.[14]

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6 See concerns raised in response to CP25/1 and our assessment in CP25/3.
7 Visa response to CP25/3, paragraph 3.1.
8 Visa response to CP25/1, Annex 4.
9 Visa response to CP25/3, paragraph 2.1.
10 Visa response to CP25/3, paragraph 3.2.
11 Visa response to CP25/3, paragraph 1.4.
12 Mastercard response to CP25/3, page 3.
13 Stakeholder responses to CP25/3 [✁].
14 Stakeholder response to CP25/3 [✁].

2.14 Another trade body representing merchants said the ITC remedy should materially improve merchants' ability to understand and reconcile scheme and processing fees, by ensuring access to clearer information that directly addresses the complexity and opacity that has consistently created significant operational costs. It also said that while the ITC Direction does not prevent fee increases, it introduces effective challenge into the pricing process.[15]

2.15 A trade body representing financial services firms said its acquirer members broadly supported the proposed directions as a more workable and proportionate remedies package than the earlier proposals, and that the ITC remedy was their key priority, as it directly impacts acquirer operations.[16] It also said they preferred a consistent approach to compliance across both schemes because optionality and exemptions risk divergent approaches and fragmentation. It said that it could accept six months' notice of new or changed fees if the schemes provide full information with full technical specifications.[17]

2.16 Another acquirer also supported the ITC remedy and welcomed the requirement for schemes to provide information on the financial impact of new or modified behavioural fees. However, it considered that this information should be provided for all new and modified fees, and that a notice period of nine months would be more appropriate than six months.[18]

2.17 The EMI supported the objective of effective reconciliation of scheme and processing fees. It said reconciliation is most effective when schemes provide sufficiently granular, standardised and traceable information that allows acquirers to link the fees to their triggers. It also said the proposed remedies could improve transparency, reduce operational friction, increase predictability and strengthen accountability in the payments value chain.[19]

2.18 Another acquirer supported the aim and purpose of ITC1 and ITC2. It welcomed efforts to simplify the minimum information required but said that acquirers would need more detailed fee-level definitions, logic and technical specifications to assess the efficacy and costs properly. It also said that allowing different compliance models across schemes could increase complexity and costs for UK acquirers.[20]

2.19 One trade body representing merchants said that, while the proposed breakdown of scheme fees pointed in the right direction, the remedy does not sufficiently address merchants' information needs, who are ultimately paying the scheme fees. It suggested that card schemes should be required to notify and justify their fees beyond scheme participants.[21] It also argued that the schemes should always provide information on the impact of new behavioural fees and what acquirers could do to mitigate them, adding that this information should be included in any notice of a price change. It said this information should be disseminated effectively through the wide base of participants, including by repeating it in each notice of a price change.[22]

15 Stakeholder response to CP25/3 [✂].
16 Stakeholder response to CP25/3 [✂].
17 Stakeholder response to CP25/3 [✂].
18 Stakeholder response to CP25/3 [✂].
19 Stakeholder response to CP25/3 [✂].
20 Stakeholder response to CP25/3 [✂].
21 Stakeholder response to CP25/3 [✂].
22 Stakeholder response to CP25/3 [✂].

2.20 Another trade body representing merchants said that the remedies are a proportionate first step but are unlikely to be fully effective without the measures that we decided to not progress.[23]

Our assessment

2.21 We remain of the view that the ITC Direction is necessary and proportionate, for the reasons set out below.

2.22 As set out in our final report, the schemes do not give acquirers sufficiently clear and detailed information about scheme and processing fees, which creates poor outcomes for acquirers and merchants. The ITC Direction is designed to improve the quality, timeliness and usability of information, which should address these concerns directly.

2.23 We note that several stakeholders, including acquirers and trade bodies, supported the aim of the remedy. In particular, acquirers considered that better information should make it easier to understand and reconcile scheme and processing fees and preferred a common compliance approach, although some wanted more detail on implementation.

2.24 We have considered Mastercard and Visa's concerns about the need for the remedy, and the proportionality of the requirements set out in the ITC Direction, including the burden of implementation. As set out in more detail below, since our consultation we have increased the materiality threshold for certain ITC2 requirements, and set a more effective and proportionate requirement in relation to fee reconciliation. As set out in Chapter 4 and in our CBA in Annex 2, we consider this remedy as set out in the ITC Direction to be proportionate and net beneficial.[24]

2.25 We also consider that the final ITC Direction addresses acquirers' concerns:

- **Implementation:** The ITC Direction requires each scheme to consult with acquirers on changes it proposes to make to meet its obligations. This gives affected acquirers an opportunity to provide their views on the schemes' implementation of our requirements.
- **A common compliance approach across both schemes:** We recognise stakeholders' concerns that materially different approaches to compliance across Mastercard and Visa could increase complexity and costs for acquirers. In the final ITC Direction, we have therefore set a clearer and more consistent framework for compliance across both schemes. While the schemes may implement the Direction through their own systems and processes, both must comply with the same substantive requirements and deliver the same outcomes for acquirers.

23 Stakeholder response to CP25/3 [✂]. It pointed to the lack of a cap on fees and a requirement to link fees to costs or to justify fee increases. It said that direct pricing interventions are needed to control costs.

24 See Annex 2, paragraphs 2.68 to 2.73.

Requirements for fee reconciliation

2.26 For the remedy to be effective, acquirers must receive clear and detailed information that enables them to understand the fees they are charged. This includes reconciling the fees on their bill, including, where relevant, by linking those fees to the transactions or other data that triggered them.

2.27 In our proposed ITC Direction in CP25/3, we set out the minimum transaction-level data that the schemes should give acquirers so they can reconcile their fees (ITC Standard B). We proposed that each scheme should provide the following minimum information for each fee:

Requirement	Information	Minimum requirements
Transaction-driven fees	A single identifier/reference for each transaction that has triggered a Scheme and Processing Fee in a Relevant Billing Period or a unique combination of codes that would enable an Acquirer to reconcile a Scheme and Processing Fee in a Relevant Billing Period to the originating transactions.	The identifier/reference or unique combination of codes must be recognisable by the Acquirer to ensure clear reconciliation of the amount billed. Directed Operators can provide this Information in parts, as long as the Acquirer can have access to all the transactions instead of a subset.
Non-transaction-driven fees	Relevant data, where appropriate, that have triggered the Scheme and Processing Fee.	Each Directed Operator should at least provide any relevant data, where appropriate, other than transaction data, that has triggered the Scheme and Processing Fee.

2.28 However, in CP25/3 we also noted some risks associated with this proposed remedy, including a disproportionate information overload for acquirers, and that it might be operationally challenging to implement this standard.

2.29 In view of these concerns, we invited views from stakeholders on whether we should refine the proposed requirement on proportionality grounds to offer schemes alternative options for compliance. We asked for views on whether reconciliation could take place using the technical details of the transaction type, product, service and/or event, the details of any reporting tools, and acquirers own internal sources of transaction information.[25]

25 CP25/3, Question 1.

Schemes' initial views

2.30 Mastercard said that, in principle, technical criteria combined with acquirers' own data should be sufficient and effective to enable acquirers to understand how fees have been triggered.[26]

2.31 Visa said that requiring transaction-level data would be unnecessary and highly disproportionate to our objectives and could not be practically implemented without significant changes to Visa and acquirer internal systems and processes.[27] It said it would have to make significant and exceptionally costly changes to its globally-integrated systems, which, in practice, would amount to building acquirer-specific databases that allocate all fees to individual transactions – including fees not inherently linked to individual transactions.[28]

2.32 Visa also said that acquirers can already access the existing information, tools and support Visa provides that is necessary for them to accurately reconcile invoiced fees. These include the key components necessary to reconcile Visa fees in its monthly invoices, the Acquirer Billing Guide it has developed (launched in 2025), and access to specialist support through Visa Client Services.[29] Visa said that its recent enhancements, such as to the Acquirer Billing Guide, reflect ongoing investment and response to acquirer feedback, and that with the additional information provided under an appropriately scoped ITC Standard A, the information available to acquirers would be further improved. Visa said this would make providing transaction-level data under ITC Standard B entirely unnecessary.[30]

2.33 Visa proposed an alternative solution, saying that proactively providing acquirers with 'Enhanced Information', i.e. the relevant 'fee logic' and other 'Enhanced Information' transparency elements, for (1) behavioural fees, and (2) for all non-behavioural fees above a certain materiality threshold, or otherwise upon request, would enable acquirers to reconcile billed fees effectively and achieve the aim of this element of our remedy in a proportionate way.[31]

Other stakeholders' initial views

2.34 Six stakeholders agreed on the transaction-level data approach, including three trade bodies, an EMI, an acquirer and an issuer-acquirer.[32] An acquirer and a trade body representing financial services firms said it would help acquirers reconcile fees more effectively by allowing them to link fees to the transactions and scheme rules that triggered them. This would make it easier for them to reconcile invoices, give them more assurance that fees are correct, and reduce their reliance on manual analysis.[33,34]

26 Mastercard response to CP25/3, page 9.
27 Visa response to CP25/3, paragraphs 3.3(a), 3.7 and subheading above paragraph 3.5.
28 Visa response to CP25/3, paragraphs 3.3(a), 3.5, 3.17, 3.22 and 3.23, and subheading above paragraph 3.5.
29 Visa response to CP25/3, paragraphs 3.8, 3.9 and 3.11 and Annex 2, paragraphs 2.3, 2.4 and 2.8.
30 Visa response to CP25/3, paragraphs 3.8, 3.9 and 3.12 and Annex 2, paragraph 2.3(c).
31 Visa response to CP25/3, paragraphs 3.36 to 3.38 and Visa response to [✂].
32 Stakeholder responses to CP25/3 [✂].
33 Stakeholder response to CP25/3 [✂].
34 Stakeholder response to CP25/3 [✂].

2.35 A trade body representing merchants added that clearer information on how fees are triggered and applied would also mean acquirers could pass through and explain costs to merchants more accurately, particularly for smaller retailers.[35]

2.36 An EMI and an acquirer were generally cautious about allowing schemes to rely on optionality and non-standardised compliance approaches.[36] Two trade bodies emphasised the need for structured, standardised and usable information that supports reconciliation and avoids inconsistent outcomes across the market.[37]

2.37 One acquirer said that a single point of reference would simplify reconciliation and noted that the information currently available does not always provide complete clarity regarding the relationship between transactions reported and fees billed, making reconciliation more difficult. However, it considered transaction-level billing information would be the most significant improvement.[38]

2.38 A trade body representing merchants said for effective reconciliation, acquirers need details such as fee triggers, calculation logic and the link between individual fees and transaction attributes. This will require structured, standardised and machine-readable information that matches the way acquirers process and report transactions.[39]

2.39 Overall, respondents did not generally support allowing schemes broad flexibility to meet the reconciliation requirement through existing tools, high-level information or acquirers' own data (as consulted in Question 1 of CP25/3). Some recognised that a more proportionate approach could be appropriate if it delivered equivalent outcomes, but they emphasised the need for information that is sufficiently structured, standardised, detailed and usable to support effective reconciliation.

2.40 Acquirers pointed out that a fee logic approach could be more practical than transaction-level data in some circumstances, particularly where large amounts of data would create operational or systems challenges. The fee logic would need to be sufficiently clear and usable. In this respect:

- one acquirer said that fee logic is needed to verify whether the schemes had billed them correctly, even where transaction-level identifiers are present[40]
- one acquirer said that, if schemes provide clear fee logic linked to the relevant authorisation and clearing data fields, it would be very easy for it to replicate the logic in its internal systems because it already holds those data points[41]
- another acquirer said it needs clearer fee logic to build new scheme fees into its billing platform, as behavioural and product-related fees are not always transaction-specific and are harder to interpret or validate. It also said that the logic the schemes provide is not always clear and can be open to interpretation[42]

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35 Stakeholder response to CP25/3 [✂].

36 Stakeholder responses to CP25/3 [✂].

37 Stakeholder responses to CP25/3 [✂].

38 Stakeholder written submission on 24 March 2026 [✂].

39 Stakeholder response to CP25/3 [✂].

40 PSR call with stakeholder on 18 March 2026 [✂].

41 PSR call with stakeholder on 14 April 2026 [✂].

42 PSR call with stakeholder on 25 March 2026 [✂].

Our refined approach adopted in the ITC Direction

2.41 Having considered consultation responses and further engagement, we have refined this requirement to address implementation concerns while preserving the outcome sought by acquirers. We have decided no longer to require the schemes to provide unique transaction-level identifiers. Instead, we have adopted a fee logic approach, which we consider better ensures acquirers receive information that enables them to reconcile billed fees effectively and reduces unnecessary compliance burden on the schemes.

2.42 Under this approach, schemes must provide the relevant fee logic for a fee. This includes whether and when each fee incurred is triggered and is payable, and if so how much that fee is (see paragraph 1.5 Standard B, of Annex 1 to the ITC Direction).

2.43 We have not adopted an approach based on broad optionality or non-standardised compliance models, because acquirers and other stakeholders raised concerns that this could increase complexity and costs for reconciliation.

2.44 Before reaching this decision, and building on the written consultation responses, we engaged further with the schemes and several acquirers and other stakeholders on this revised approach, and have taken their views into account.

Schemes' views on our refined approach

2.45 Mastercard said it would have to do substantial work to implement this approach, with the initial work expected to take several quarters to complete, including reviewing existing billing events and ensuring that it presents and maintains information consistently. Once completed, it could then embed it into business-as-usual processes for new and modified fees, although this would still require updates to existing processes and systems to ensure information remains accurate over time.[43]

2.46 Mastercard intends to include the resulting transparency measures in its business-as-usual operations, rather than treat them as a standalone or one-time exercise, following a substantial initial remediation exercise expected to take several quarters to complete.[44]

2.47 Visa said that preparing the initial technical criteria and enhanced information would be a one-off exercise. However, it also said that this approach would require ongoing maintenance, including periodic updates for new material billing lines, billing lines that become material, and/or billing lines that generate significant acquirer queries.[45]

43 Mastercard response to [✂].

44 Mastercard response to [✂].

45 Visa response to [✂].

Other stakeholders' views on our refined approach

2.48 Further engagement with acquirers generally supported our view that a fee logic approach can be a more practical and proportionate alternative to requiring transaction-level identifiers, provided the information is sufficiently clear, timely and usable.

- One acquirer said it considered coding logic to be the more effective solution than unique transaction identifiers. This is because it gives more detail, including trigger points, across more fee types and in a more predictable way. However, it also cautioned that coding logic is not a complete solution if it remains open to interpretation or does not align with how fees are ultimately charged.[46]
- Another acquirer said it would need practical examples of how the information would be provided before confirming how it could use the information in its systems, noting that there may be differences between variable per-transaction billing and report-based fees.[47]
- One further acquirer stated that full fee logic, including triggering data fields, specific values and conditions, is a 'sound approach' to enabling effective reconciliation. However, it raised additional points about the proposal. It noted that fee logic for any new or amended fee should be disclosed well in advance of the fee taking effect; and that the remedy should require the schemes to provide a clear breakdown of fee rates per unique combination of data elements, as fee logic alone may be insufficient to enable accurate reconciliation in practice.[48]
- Another acquirer said that full relevant fee logic could be a reasonable alternative to a single transaction identifier, provided the schemes give complete transparency on the credentials and data fields that trigger fees. It said this could help standardise reconciliation and reduce back-and-forth with the schemes. However, it also noted that transaction-level data would still have benefits, as without it acquirers may need to make assumptions about which fees apply and implement complex logic to replicate scheme billing.[49]
- Another acquirer supported the requirement and took the view that it would improve its ability to understand how scheme fees are calculated and support reconciliation within its systems. However, they cautioned that there may remain scenarios where fees rely on data not fully visible to acquirers or on scheme-side or aggregated calculations. As such, the absence of a transaction-level identifier linking fees to specific events may limit its ability to validate charges end-to-end.[50]
- An EMI confirmed that, in principle, this type of fee logic should improve its ability to reconcile billing from the schemes, and argued for a uniform approach across both schemes. However, it also noted that the practical benefit would depend on the completeness, accuracy and usability of the information provided, and on whether the fee logic reflects how fees are charged in practice.[51]

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46 Stakeholder written submission on 26 June 2026 [✂].

47 Stakeholder written submission on 25 June 2026 [✂].

48 Stakeholder written submission on 29 June 2026 [✂].

49 Stakeholder written submission on 24 June 2026 [✂].

50 Stakeholder written submission on 26 June 2026 [✂].

51 Stakeholder written submission on 1 July 2026 [✂].

- A trade body representing financial services firms said that its acquirer members supported the increased transparency, but argued that, to be effective, the provision of the underlying transaction-level, field-level and billing-report information could be necessary for acquirers to reconcile fees accurately and independently.[52]

2.49 Overall, this feedback supports the principle of requiring sufficient and adequate fee logic information rather than transaction-level identifiers, while reinforcing the need for the information to be sufficiently specific, practical and aligned with acquirers' systems. It also indicates that acquirer engagement during implementation will be important to test how the schemes propose to present the information in practice, including through practical examples and clear mapping between fee triggers, applicable data fields, values and rates.

Our assessment

2.50 We consider that this refined requirement will provide meaningful benefits to acquirers by improving the transparency of scheme and processing fees. In particular, having regard to the responses summarised above, we consider it will help them understand how fees are triggered and applied, and which transactions or other events incur fees.

2.51 With the relevant fee logic, linked to the applicable message types and data fields, acquirers can identify the events or conditions that trigger particular fees. The schemes will also need to notify acquirers in a timely way if they plan to change the logic, including relevant data fields or trigger criteria.

2.52 The final ITC Direction requires schemes to give acquirers a coherent set of information that enables them to understand how particular fees are triggered and to reconcile the scheme and processing fees billed to them. We expect this to include:

- links to all supporting documentation (technical specifications, rules, details on opting out of optional fees, and relevant fee guides, bulletins and announcements)
- any other relevant data element fields and values that would trigger a fee

2.53 Overall, we consider that this is likely to achieve these benefits in a more efficient way than the approach we proposed in CP25/3.

2.54 To ensure that this remedy is implemented in a manner that is effective in achieving its aim, we are requiring the schemes to show acquirers how they plan to provide the required information, ask them for their views and potentially make changes in response. The schemes will then provide us with their updated compliance policy and a summary of their acquirer engagement and the outcomes.[53] We will review this information as part of our supervisory oversight to assess whether the schemes' proposed approach meets the requirements of the Direction and addresses acquirers' needs. We consider that this will alleviate any concerns from acquirers and ensure that the remedy leads to meaningful outcomes.

52 Stakeholder written submission on 25 June 2026 [✂].

53 See ITC Direction, Section 4.

Materiality threshold

2.55 In our April 2025 remedies consultation (CP25/1), we envisaged ITC1 and ITC2 applying to all scheme and processing fees charged to acquirers by Mastercard and Visa. In our subsequent consultation and engagement, stakeholders suggested a materiality threshold to ensure that the remedy was proportionate, particularly in relation to fees that generate low revenue for the schemes.

2.56 In response, in CP25/3,[54] we decided to include a materiality threshold in our proposed ITC Direction to balance the following considerations:

- To the extent that schemes charge a fee to acquirers, they should provide them with the minimum information that enables acquirers to understand what that fee is, what triggers it and how to reconcile it to their merchant transactions and other activities.
- At the same time, we should not impose any unnecessary implementation burdens on the schemes but ensure that they focus their resources and efforts where they would have the greatest impact for acquirers.

2.57 In our consultation, we proposed to apply the materiality threshold only to the ITC2 component of this remedy, and only for mandatory and optional fees (excluding behavioural fees from the scope of the materiality threshold).[55] In formulating this proposal, we noted the following:

- One of the key benefits of the ITC remedy is to help acquirers better understand complex fees. Therefore, a materiality threshold should be based on the complexity of fees or on the benefits of having more information about them. On that basis we consider it appropriate to exclude behavioural fees from the threshold due to their complexity (and the higher benefits of having clear information).
- We also considered the implementation challenges and the additional costs of monitoring compliance that would arise from applying a materiality threshold for behavioural fees (due to the difficulty of anticipating revenues for behavioural fees correctly).
- Having six months' notice of new or modified fees under ITC2 enables acquirers to prepare for changes and act upon this information. However, we consider that acquirers are unlikely to do so for very small fees by total revenue (which would likely be even smaller amounts by individual acquirers) so the benefit would be negligible.
- Bearing in mind the aim of this remedy is to provide consistent information across acquirers' fees, our view is that ITC1 requirements should not have a materiality threshold.
- We also considered the risk of unintended consequences associated with a materiality threshold. These include additional complexity for us, schemes and stakeholders, and distortion of incentives for the schemes. For example, it might create an incentive for the schemes to have more low-value fees instead of a smaller number of higher fees that would cross the materiality threshold. This could make things more complicated for acquirers.

54 CP25/3, paragraphs 2.33 to 2.45.

55 We have excluded from the application of ITC2 fees charged in respect of optional services offered on an opt-in basis. The reason is that these fees are only charged if a customer makes the active choice to opt-in to those services, which they should do if they see the available information as sufficient for their decision making.

2.58 In CP25/3, we set out our view that a threshold for ITC2 applying to fees generating total net revenue under £100,000 would be appropriate, based on the evidence available at that time.

Schemes' views

2.59 Both schemes said our proposed materiality threshold was too narrow in scope and should extend to ITC1:

- Mastercard said that limiting the threshold to ITC2 would only postpone, rather than reduce, the burden on Mastercard, and proposed that we should extend it to ITC1.[56] It argued that for below-threshold fees, the benefits of ITC1 to acquirers would be negligible, and that the materiality threshold should therefore extend to ITC1, as limiting it to ITC2 would merely postpone rather than reduce the burden on Mastercard.[57]
- Visa was concerned that the proposed materiality threshold did not apply to ITC1. It understood this would require it to provide 'Enhanced Information', including technical specifications, for all existing fees/billing lines regardless of materiality, which it considered would be disproportionate, impractical and unsuitable.[58]

2.60 Both schemes also argued that the proposed £100,000 threshold was too low, and risked bringing negligible fee changes into scope.

2.61 Mastercard proposed increasing the threshold to at least [✂], noting that in its 2022 to 2025 data [✂].[59]

2.62 Visa said that an appropriate materiality threshold would be essential to ensure the ITC remedy was proportionate.[60] It raised concerns that our proposed ITC remedy did not adequately consider the practical challenges of providing the required information for all fees and that we had materially underestimated the effort involved.[61] It said that the vast majority of UK acquirer billing volume is concentrated in a relatively small number of billing lines. Therefore, it argued that providing information required under the ITC remedy across all existing fees/billing lines would impose a significant administrative and compliance burden, but have limited benefits to acquirers.[62]

56 Mastercard response to CP25/3, page 10.
57 Mastercard response to [✂].
58 Visa written submission [✂]; PSR call with Visa on [✂] and Visa response to [✂].
59 Mastercard response to CP25/3, page 10.
60 Visa response to CP25/3, paragraphs 3.3(b), 3.26 and 3.35.
61 Visa response to CP25/3, paragraphs 3.30 and 3.32.
62 Visa response to CP25/3, paragraphs 3.27, 3.29 and 3.30.

2.63 Visa proposed providing information in a two-tier transparency approach. A 'standard transparency' baseline would apply to all fees and would comprise information such as categories, descriptions, billing identifiers and rates. All behavioural fees and high-value non-behavioural fees, would also be subject to 'enhanced transparency', meaning more detailed technical specifications, as well as other information components.[63,64] Visa said that an enhanced transparency threshold of £[✂] for fees/billing lines relating to UK merchant transactions would be appropriate and would still cover around [✂]% [almost 100%] of total invoice value across its UK-licensed acquirer customers, and at least [✂]% [the vast majority of] of individual invoice value for almost all ([✂]) such acquirers.[65,66] It also said that detailed information about all fees/billing lines would have very limited relevance and value for most UK acquirers, as many optional services are only used by a small number of UK acquirers, and only for specific purposes or in a specific context and have a limited impact on acquirer invoices.[67]

2.64 It also said that acquirers can already seek clarification from Visa on any specific billing lines and could continue to provide enhanced transparency information on request.[68] It also warned that providing detailed information on all fees/billing lines could result in acquirers receiving an overwhelming amount of information, and may divert attention from the relatively small set of billing lines with the greatest impact on acquirers.[69] It added that providing transaction-level data may not be suitable for some acquirer systems, which it said are unlikely to be prepared to readily receive and process records containing millions of transaction-level data per day, and risks flooding acquirer systems and causing service disruption.[70]

2.65 Mastercard also said that requiring the schemes to provide revenue information for fees below the materiality threshold as part of their compliance reporting obligations would reduce the practical benefit of the threshold, because the schemes would still need to collect and report information on those lower-value fees, which would limit the reduction in the compliance burden. Mastercard noted that, because the materiality threshold does not apply to ITC1, this information would in any event need to be provided to acquirers, and therefore suggested that paragraph 5.2 was removed from the draft Direction.[71]

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63 Visa response to CP25/3, paragraphs 3.36 to 3.38 and Visa response to [✂].

64 For clarity, references to 'enhanced transparency information' (as described in Visa's submission) includes the underlying fee logic and technical criteria for fees, as well as other information components which includes: (i) supporting reports; (ii) relevant Visa documentation (Visa news bulletins, Visa rules, product guides); and (iii) details for opt-out optional fees. Enhanced transparency information is intended to enable acquirers to reconcile billed fees. In addition, references to 'standard transparency information' (as described in Visa's submission) includes for all fees/billing lines: (i) categorisation; (ii) description and explanation; (iii) a unique billing identifier; and (iv) fee rates and units of the fees. See paragraph 2.33, and Visa response to [✂].

65 Visa response to CP25/3, paragraphs 3.28 and 3.36 and Annex 3, paragraphs 3.2 and 3.4.

66 Visa said that its analysis was based on acquirers with a UK registration number, meaning that it would exclude acquirers registered outside the UK that may acquire UK point-of-sale transactions. (Visa response to CP25/3, Annex 3, footnote 70).

67 Visa response to CP25/3, paragraphs 3.29 and 3.30. See also Annex 1.

68 Visa response to CP25/3, paragraphs 3.11, 3.27 and 3.33; Annex 3, paragraph 3.5.

69 Visa response to CP25/3, paragraph 3.30.

70 Visa response to CP25/3, paragraph 3.31.

71 Mastercard response to CP25/3, page 10.

Other stakeholders' views

2.66 One acquirer did not support a materiality threshold. It said customers expect it to be able to identify and reconcile all fees it charges or passes through to them, and that fees should be transparent even if they are small or infrequent. It also cautioned that a threshold could incentivise the schemes to fragment or restructure fees to reduce the number in scope.[72]

2.67 Another acquirer said that a £100,000 materiality threshold appeared reasonable, but that we should monitor it to ensure that multiple smaller fee changes do not fall outside scope to the extent it creates challenges for acquirers.[73]

2.68 A trade body representing merchants said it understood the rationale for a materiality threshold, but expressed concern that, at £100,000, it could exclude fees that, while individually small, may cumulatively impose significant costs – particularly for small and mid-sized merchants. It noted that operational burdens are often driven as much by fee complexity as by monetary value, meaning that below-threshold fees can still create material internal costs for merchants. It also raised concerns that schemes may respond by fragmenting, reclassifying or splitting fees. It therefore considered that, while a materiality threshold may be appropriate in principle, we should monitor it, with mechanisms to report on cumulative low-value fees, and review the threshold in light of retailer feedback and evidence of undue operational burden.[74]

2.69 Another trade body representing merchants recognised that a materiality threshold may be appropriate in principle to ensure the remedy remains proportionate and targeted. However, it stressed that any threshold should not undermine the overall objective of improving transparency and reducing complexity. It noted that for smaller retailers, fees that may appear immaterial in aggregate can still have a meaningful impact at store level. It also warned that excluding certain fees could reduce consistency across fee types and make it harder for acquirers and merchants to understand the costs they face. It therefore said we should set any threshold conservatively, keep it under review, and apply it in a way that does not limit our ability to identify wider pricing patterns over time.[75]

2.70 A trade body representing financial services firms said that its acquirer members agreed that the remedy should be proportionate, and supported the proposed £100,000 threshold.[76]

2.71 An EMI said that excluding more fees from the scope of the ITC remedy would materially reduce the benefits. Complexity and operational burden are driven by the number of different fees, fragmentation and conditionality – particularly for behavioural fees. It said that basing a threshold on the schemes' revenues could have unintended consequences, as small fees can have cumulative operational impacts for acquirers. It said the threshold should take account of cumulative effects and operational complexity to avoid fee fragmentation or gradual increase in fee levels leading to a material impact.[77]

72 Stakeholder response to CP25/3 [✂].
73 Stakeholder response to CP25/3 [✂].
74 Stakeholder response to CP25/3 [✂].
75 Stakeholder response to CP25/3 [✂].
76 Stakeholder response to CP25/3 [✂].
77 Stakeholder response to CP25/3 [✂].

Our assessment

2.72 In assessing whether to introduce a materiality threshold, we consider its impact on: (i) effectiveness, (ii) proportionality and costs, (iii) distributional impacts, and (iv) risks and implementation challenges. Having considered stakeholders' views, we remain of the view that, for the reasons summarised in paragraphs 2.55 to 2.58:

- a materiality threshold is appropriate for the ITC2 component of this remedy, but only to mandatory and opt-out optional fees (excluding behavioural fees from its scope; opt-in optional fees are not in scope of ITC2)
- a materiality threshold should not apply to the ITC1 component of this remedy

2.73 Regarding the decision not to apply a materiality threshold to ITC1, we recognise the schemes' concerns about proportionality and implementation burden. However, while we recognise that applying a materiality threshold to ITC1 would lead to cost savings for schemes (see Annex 1), we do not consider that they justify excluding existing lower-value fees from ITC1. Further to our reasons summarised in paragraphs 2.55 to 2.58, we note that several stakeholders told us in response to our consultation that lower-value fees can still create complexity and operational burden (see paragraphs 2.68 to 2.71 above), particularly where fees are fragmented or cumulative, and that excluding them could make it harder for acquirers and merchants to understand the costs they face. Extending the threshold to ITC1 would therefore risk undermining one of the core purposes of the remedy, which is to provide consistent information across the fees charged to acquirers, including information needed to understand and reconcile billed fees.

2.74 We further note in this respect, as set out in more detail in Annex 1, that at threshold levels of £250,000 and above, a material share of acquirers is likely to have less than 90% of the value of their existing fees within scope, potentially undermining the effectiveness of the remedy for those acquirers.

2.75 Applying the materiality threshold to ITC2 operates as a more proportionate way of limiting the burden (although recognising that such costs savings are limited) without undermining the baseline transparency and reconciliation benefits of the remedy as a whole. To help set the materiality threshold for ITC2 at an appropriate level, we obtained further evidence and carried out further analysis of the number of fees and the share of fee revenue that would remain in scope at different thresholds (see Annex 1). In our CBA, we have considered the costs of implementing the remedy and the cost savings associated with the materiality threshold.

2.76 In light of the evidence available, we have decided to increase the threshold from £100,000 annual net revenue to £250,000 gross annual revenue, noting in particular:

- the limited additional benefit of requiring information for very low-value new and changed fees in relation to ITC2.
- the evidence that a higher threshold would still leave the substantial majority of relevant fee revenue within scope.[78]
- the desirability of reducing unnecessary implementation burdens on the schemes where the likely benefit to acquirers is limited.

78 See paragraph Annex 1, paragraph 1.15.

2.77 We believe that gross revenue is a more practical and proportionate basis for calculating the ITC2 materiality threshold. Indeed, gross revenue is significantly easier for the schemes to identify and for us to monitor, particularly as incentives and rebates are not always associated with specific fees.

2.78 We note Mastercard's concern that requiring the schemes to identify and provide revenue information as part of their compliance reporting for below-threshold fees would limit the reduction in compliance burden delivered by the materiality threshold. However, the revenue information required for those fees is limited and is necessary to operate and monitor the threshold effectively, including by enabling us to assess compliance and any risks of circumvention. We therefore consider that our approach strikes an appropriate balance between reducing unnecessary burden and maintaining the effectiveness of the remedy.

2.79 We understand stakeholders' concerns about the potential for fee fragmentation and the cumulative impact of lower-value fees; however, we consider that such concern is mitigated by the full coverage required under ITC1. In any event, we have included an anti-circumvention provision to mitigate fragmentation risks and will monitor the application of the threshold to assess whether it gives rise to unintended outcomes.

2.80 As further explained in Chapter 4, Annex 1 and the CBA, we consider that this threshold helps ensure that the remedy is effective and proportionate. We will keep the materiality threshold under review, taking account of evidence on fee coverage, the effectiveness of the remedy, compliance costs and any emerging risks of circumvention or fee fragmentation.

Implementation and timings

2.81 In CP25/3, we proposed that the schemes should implement ITC requirements within 12 months of the ITC Direction taking effect. We considered that 12 months would be a reasonable period to make the necessary changes to systems and processes, including for fee reconciliation and providing clearer and more detailed fee information, without unduly delaying the benefits for acquirers.

2.82 We also proposed that the schemes should give acquirers ITC2 information six months before introducing any new or modified fees, subject to the detailed requirements in the proposed Direction.

Schemes' views

2.83 Mastercard said it was concerned that we would set the implementation date before it had engaged with acquirers, even though this engagement is necessary to determine what system changes it would need to make.[79] It told us that although we had extended the overall implementation timeline from 9 to 12 months,[80] the addition of further granular requirements meant it would need considerable time and internal work for meaningful and constructive engagement and implementation.[81] Mastercard said that it should engage with acquirers before we set an implementation date, as it could not commit to timelines until the scope of the defined requirements is clear and outcomes of that engagement have been analysed.[82] Mastercard said that the effective date could be limited to the actions required under paragraphs 4.2 to 4.5 of the draft ITC Direction with the implementation date for any resulting changes to be agreed once those actions have been completed.[83]

2.84 Mastercard said that implementing the requirements for fee logic and technical specifications would be resource-intensive, particularly given the need to reconstruct fee logic across a large number of billing events and legacy systems, where documentation may be limited. It noted that the move away from transaction-level reconciliation increases the complexity of implementation. Against this background, it proposed a staged approach to implementation.[84]

2.85 Visa said that providing the ITC2 information at least six months in advance is overly rigid and would not always be feasible due to unforeseen events or necessary adjustments arising that would make the requirement disproportionate in all cases. It added it would be infeasible for certain types of information, and does not strike an appropriate balance between sufficient notice for acquirers and flexibility for the schemes in responding to client feedback.[85]

Our assessment

2.86 We have considered the schemes' concerns and recognise that implementing the remedy will require Mastercard and Visa to change some systems and processes.

2.87 In CP25/3, we proposed an implementation period of 12 months to allow for this, including time for meaningful engagement with acquirers (an increase from the six months we proposed in CP25/1).

2.88 In response to CP25/3, Visa described comparable transparency work it has done over the past two years, in response to feedback from its acquirers. It said that developing, testing and operationalising the provision of detailed fee information across billing lines on Visa's own initiative took between 12 and 18 months.[86] However, we have not seen evidence that this remedy, imposed through a binding direction, cannot be implemented within 12 months.

79 Mastercard response to CP25/3, pages 2 and 3.
80 Relative to CP25/1.
81 Mastercard response to CP25/3, page 3.
82 Mastercard response to CP25/3, pages 3 and 4.
83 Mastercard response to CP25/3, page 4.
84 Mastercard written submission on [✁].
85 Visa response to CP25/3, paragraphs 3.3(c) and 3.40.
86 Visa response to CP25/3, paragraphs 3.8 and 3.9.

2.89 We therefore remain of the view that 12 months is a proportionate implementation period, particularly in light of the refinements we have made following consultation.

2.90 We note that the ITC Direction enables us to grant extensions (and exemptions). We normally only grant extensions (or exemptions) in limited circumstances. We will monitor implementation of the direction by the schemes and assess any reasoned request for an extension (or exemption) on its merits (and the evidence submitted in support of it). For example, we will consider whether an extension in relation to a specific requirement or fee may be justified in light of the need to adjust due to specific customer feedback, or technical issues.

3 Pricing governance

The Pricing Governance Direction will require Mastercard and Visa to pay due regard to service users' interests when making relevant pricing decisions, and to keep clear records of the rationale for those decisions.

Our findings and final decision

3.1 In our final report, we found that:

- Mastercard and Visa's revenues from scheme and processing fees rose very substantially in recent years.
- In the context of a lack of effective competitive constraints,[87] the 'value-based' pricing that the schemes refer to is not an outcome of competition. It only reflects customers' willingness to pay, and therefore is focused on the schemes' own financial performance.
- Our analysis of a specific set of fee changes found very limited evidence that the schemes based new fees on cost changes. However, our understanding of the drivers of fee changes was limited, as Mastercard and Visa do not consistently record in writing all the factors that decision-makers consider when approving fee changes.

3.2 The lack of sufficient transparency on how and why pricing decisions are made (described in the CBA as a regulatory information gap) limits our ability to assess whether they are consistent with service users' interests.

3.3 To address this, we have decided to issue the Pricing Governance Direction. In CP25/3, we consulted on the wording of the proposed Pricing Governance Direction. In relation to Acquirer Fee Decisions[88], we proposed that four months after we publish the final direction, each scheme must:[89]

- pay due regard to a defined principle based on service users' interests (the Pricing Decision Principle)
- compile and retain an Acquirer Fee Decision Record (AFDR) for each Acquirer Fee Decision (subject to a materiality threshold to exclude fees reasonably anticipated to generate under £100,000 of net revenues per year from the scope of this requirement), a clear, contemporaneous record setting out all relevant considerations underpinning the decision and how it has complied with the Pricing Decision Principle
- send us any or all AFDRs upon request, so we can clearly understand how and why particular pricing decisions were reached

87 MR22/1.10, paragraphs 1.10 and 1.11.

88 Acquirer Fee Decisions are decisions to approve a proposal to introduce or change a fee charged by a Directed Operator to Acquirers in respect of UK transactions. See the Pricing Governance Direction, paragraph 3.2.

89 CP25/3, paragraphs 3.16, 3.17, 3.24 to 3.27, 3.39 and 3.40.

3.4 In addition, our proposed direction included:

- an anti-circumvention clause
- several provisions to enable us to monitor compliance effectively, including a requirement to appoint a senior manager to sign, and provide annually:
  - a written overview of any Acquirer Fee Decisions
  - a written report to confirm compliance with the Pricing Governance Direction

3.5 Our final Pricing Governance Direction contains the same provisions we consulted upon in December 2025, subject to:

- targeted refinements to the compliance requirements to improve clarity, practicability and proportionality
- an increase of the materiality threshold to exclude Acquirer Fee Decisions in relation to fees expected to generate less than £250,000 of total gross annual fee revenue
- a number of minor changes to the direction, including following drafting suggestions made in response to our consultation

3.6 As set out in more detail in the CBA (see in particular Figure 6), the final Pricing Governance Direction will strengthen the discipline, transparency and accountability of the schemes' pricing decisions, allowing us to obtain clear information about the drivers behind these decisions and to make more informed assessments of whether they are consistent with service users' interests. By reducing the regulatory information gap identified in our market review, the Pricing Governance Direction will improve our ability to understand the market and to perform our functions and promote our objectives.

3.7 In the rest of this chapter, we consider the main representations made in response to our December 2025 consultation and set out our reasons for amending or retaining specific elements of the remedy.

Whether the Pricing Governance Direction achieves the aims of the remedy

3.8 In response to CP25/3, stakeholders have made several submissions relating to the aims of the remedy which we have taken into account in assessing whether the drafting of the Pricing Governance Direction achieves those aims.

Schemes' views

3.9 Mastercard said it did not consider the Pricing Governance remedy to be justified by our findings, but it did not object to it in principle provided that we implement it proportionately (and address Mastercard's concerns).[90]

90 Mastercard response to CP25/3, pages 1 and 2.

3.10 Visa reiterated its view that the remedy was unnecessary for its stated purpose. Visa said it already has well-established governance processes, and gives us comprehensive and detailed information on material fee changes in ad hoc information requests as well as in its General Direction 1 (GD1) letters.[91] The Pricing Governance Direction would require it to set up unnecessarily duplicative and costly governance processes with no clear benefit, making the remedy disproportionate and inconsistent with our statutory duties.[92] Furthermore, as a result of these additional bespoke, UK-specific requirements Visa would need to operate differently in the UK and globally. As such, these requirements would make the UK less attractive for launching new innovative services (thereby stifling the UK's dynamic payments ecosystem).

Other stakeholders' views

3.11 Six stakeholders supported the remedy, including an acquirer, an EMI, and four trade bodies (one representing financial services firms and three representing merchants).[93]

- A trade body representing merchants welcomed the remedy, as stronger governance around pricing decisions should help ensure fee changes are subject to appropriate regulatory scrutiny.[94]
- Another trade body representing merchants said that greater discipline around pricing governance will help reduce fragmentation and inconsistencies between different jurisdictions, particularly where the global schemes introduce changes unevenly.[95]
- The EMI stated that the proposed remedy will lead to stronger accountability in the payments value chain, by promoting more disciplined, evidence-based decision making from the schemes.[96]
- An acquirer, and the acquirer members of a trade body representing financial services firms, supported the Pricing Decision Principle.[97]

3.12 One trade body representing merchants recognised that, even if the remedy would not prevent fee increases, it would introduce greater discipline, transparency and internal challenge into the schemes' pricing processes.[98]

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91 General Direction 1 requires participants and regulated persons to have an open and cooperative relationship with the PSR and to notify us of anything we would reasonably expect notice of. See *General Direction 1: Cooperative relationships with the PSR* (2020). Visa also notes it provided the PSR related one-off forms of information, including 'very detailed information' on a number of fee changes in response to specific questions from us. See Visa response to CP25/3, paragraph 4.1, footnote 22.

92 Visa response to CP25/3, paragraphs 4.1 and 4.27 to 4.29.

93 Stakeholder responses to CP25/3 [✂].

94 Stakeholder response to CP25/3 [✂].

95 Stakeholder response to CP25/3 [✂]. It also said that similar approaches were being considered in other jurisdictions, which supported its view that the proposed remedy was directionally appropriate.

96 Stakeholder response to CP25/3 [✂].

97 Stakeholder response to CP25/3 [✂].

98 Stakeholder response to CP25/3 [✂].

3.13 However, support for the remedy was not unqualified and there were concerns that this remedy on its own would not address the relevant market failures identified in our final report.[99, 100, 101]

Our assessment

3.14 For the reasons set out below in this chapter, in Chapter 4 and in the CBA, we remain of the view that the Pricing Governance Direction is necessary and proportionate. In particular, we consider our refined Pricing Governance Direction will be effective in addressing the regulatory information gap we have identified, and help us better understand the drivers behind fee decisions, including how service users' interests are taken into account, without imposing an unnecessary burden. We further note that its aims were supported by a number of stakeholders, including acquirers and representative bodies.

3.15 We have made a number of refinements to the Pricing Governance Direction following consideration of Mastercard and Visa's concerns about the proportionality of the direction and its implementation burden. These include:

- increasing the materiality threshold to exclude lower-value fees
- refining aspects of the compliance reporting, for example by avoiding unduly burdensome requirements to produce precise revenue forecasts

We set out our views on proportionality and costs in Chapter 4 and in the CBA.

3.16 We do not consider that the schemes' existing GD1[102] reporting is an adequate substitute for the requirements included in the Pricing Governance Direction. The two requirements serve different purposes and require different information. GD1 notifications are high-level, qualitative regulatory updates on fee changes and new fees. The Pricing Governance Direction requires more: clear contemporaneous records of the reasons for specific pricing decisions and how the schemes have taken the Pricing Decision Principle into account.

Acquirer Fee Decision Records

3.17 In CP25/3, we proposed that the schemes should prepare an Acquirer Fee Decision Record (AFDR) for each Acquirer Fee Decision, subject to a materiality threshold excluding decisions relating to lower-value fees. The AFDR would:

- set out the reasons for the decision, including how the scheme took the Pricing Decision Principle into account
- identify the key supporting materials the scheme considered in the decision-making process

3.18 We proposed that the schemes should retain those AFDRs, and provide some or all of them to us within five working days on request. This could, for example, inform our assessment of the rationale for decisions over time, and of overall fee levels and the schemes' profitability.

99 Stakeholder response to CP25/3 [✁].

100 Stakeholder response to CP25/3 [✁].

101 Stakeholder response to CP25/3 [✁].

102 *General Direction 1: Cooperative relationships with the PSR* (2020).

Stakeholders' views

3.19 Mastercard said that a five-day deadline to provide AFDRs could be difficult to meet, particularly where we asked for multiple records or key staff are unavailable. It suggested that ten working days would be more realistic, as there was no need for urgency in these requests.[103]

3.20 It also said that discounts, rebates and incentives are not relevant to fee decisions, as they arise through separate negotiations which may take place years after the decision. It said that therefore such matters could not appropriately be referenced in the AFDR.[104]

3.21 Visa said that a five working day deadline would be unreasonable and is disproportionately short, as it would not give enough time for its 'fully utilised' managers to review and sign-off the AFDRs, and it was unclear why we would need AFDRs in this short timeframe when considering the remedy's objectives. It said a four-week deadline would be more appropriate and realistic.[105]

3.22 Other stakeholders raised no substantive points on the proposed AFDR requirement.

Our assessment

3.23 Having considered the representations on AFDRs, we have decided to:

- specify in the Pricing Governance Direction that we will not request an AFDR until at least 30 days after the relevant Acquirer Fee Decision has been made. This is to make sure the schemes have enough time to finalise the AFDRs and complete all relevant checks and governance processes.
- extend the period for producing the AFDR on our request from five to ten working days. The AFDR is designed to be a contemporaneous record of a decision. Once completed it should not be amended, so the schemes should be able to produce these relatively quickly. We consider ten working days to be a proportionate timeframe.
- clarify that an AFDR only needs to address matters that are relevant to the Acquirer Fee Decision in question. Where a factor such as rebates or incentives is not relevant to that decision, it will be sufficient for the AFDR to state this.

103 Mastercard response to CP25/3, page 7.

104 Mastercard response to CP25/3, page 8.

105 Visa response to CP25/3, paragraphs 4.21 to 4.23.

Materiality threshold

3.24 In CP25/3,[106] we consulted on excluding from the requirement to produce AFDRs those Acquirer Fee Decisions relating to fees that are expected to generate revenues below a materiality threshold. We consulted on a threshold of £100,000 based on net revenues per year. This was designed to ensure that the burden on the schemes is proportionate to the benefits, and therefore that the remedy only applies to the extent necessary to achieve its aim.

3.25 A threshold would reduce the number of Acquirer Fee Decisions in scope of the requirement to produce AFDRs, and therefore the variable costs of compliance. However, it would also reduce the amount of evidence available to support the remedy's aim. We noted that fees generating low revenues for the schemes, and therefore likely to impose relatively low costs on acquirers, may be of limited relevance to us in assessing whether the schemes are setting fees at appropriate levels.

3.26 To find an appropriate level for the materiality threshold, we sought evidence from the schemes on the number of annual pricing decisions that would be in scope at different threshold levels, and on the marginal cost of implementing the remedy per decision. This helped us balance the benefits of the coverage of the remedy with its costs.[107]

3.27 We also considered the risk of unintended consequences. In particular, a threshold could add complexity for us and the schemes, and create incentives for the schemes to make lower-value, more frequent pricing decisions in order to circumvent it.

3.28 In CP25/3, we considered that a materiality threshold of £100,000 of annual net revenue would generate enough contemporaneous evidence to meet the aims of the remedy, while mitigating costs and unintended consequences. We have now decided to increase the threshold to £250,000 of annual gross revenue.

Schemes' views

3.29 The schemes did not support a threshold of £100,000, stating that it would be too low.[108]

3.30 Mastercard supported the principle but proposed increasing the threshold to [✂], as it [✂].[109,110]

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106 CP25/3, paragraphs 3.27 to 3.34.

107 As set out in paragraph 3.31 of CP25/3, we asked the schemes to provide a list of all fee changes and new fees affecting UK acquirers implemented between 2022 and 2025, and the expected annualised net revenue impact of each.

108 Visa response to CP25/3, paragraphs 4.6 to 4.10; Mastercard response to CP25/3, page 10.

109 Mastercard response to CP25/3, page 10.

110 See Annex 1, Table 1.

3.31 Visa said that its internal analysis of pricing decisions known to have a potential impact on UK acquirers in the last three years found that more than half of these fee changes had a relatively low expected first-year revenue impact, and together accounted for only a very small proportion of the total UK acquirer revenue impact.[111] It said that a proportionate materiality threshold is necessary for the remedy to be practicable, and that including smaller fee changes would materially increase compliance burdens by requiring significant resources and diverting key staff away from other business activities to prepare AFDRs for low-materiality fees.[112]

3.32 Visa told us that basing the threshold on total net revenues was too broad, and proposed basing it on the expected annualised change in anticipated net revenues from a specific fee change instead.[113] It also stated that the £100,000 threshold was too low and proposed a tiered approach, based on the materiality of fee changes and their expected impact:[114]

- **Above [✂]:** Visa would produce an AFDR that would include its internal pricing governance documentation, and relevant meeting minutes and approval records.
- **Between [✂] and [✂]:** Visa would produce an AFDR that would include governance documents and a brief table outlining where in the document key considerations are summarised. Visa would also provide summary information as part of the Annual Overview and Pricing Governance Compliance Report, and retain the relevant internal governance documents and approval records in line with its internal processes.
- **Below [✂]:** Visa would have no obligations on the basis that acquirer fee changes below this threshold represent no more than [✂]% of total acquirer revenue impact and are therefore *de minimis*.[115]

3.33 Visa noted that even with a materiality threshold, we would still be able to enquire further regarding its fee changes/introductions.[116] It said that this would ensure proportionate and cost-effective compliance and mitigate the risk of inadvertent non-compliance.[117]

Other stakeholders' views

3.34 An EMI and a trade body representing merchants agreed with the inclusion of a materiality threshold and with its proposed scope.[118]

3.35 A trade body representing merchants said that the remedy should meaningfully improve accountability and deliver consistent outcomes across the market. It acknowledged that excluding fee decisions with a 'genuinely negligible' impact may be appropriate to ensure the remedy is proportionate and targeted. It also recommended that we should keep any threshold under review to avoid obscuring cumulative impacts from smaller fee changes, and to ensure we retain visibility of wider pricing patterns over time. However, it cautioned that the improvements the remedy delivers should not be diluted by broad exemptions or materiality thresholds.[119]

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111 Visa response to CP25/3, paragraph 4.7.
112 Visa response to CP25/3, paragraphs 4.8 and 4.9.
113 Visa response to CP25/3, paragraph 4.11.
114 Visa response to CP25/3, paragraph 4.31.
115 Visa response to CP25/3, paragraph 4.32.
116 Visa response to [✂].
117 Visa response to CP25/3, paragraph 4.31.
118 Stakeholder responses to CP25/3 [✂].
119 Stakeholder response to CP25/3 [✂].

3.36 The EMI supported the proposed scope but said that pricing decisions for low-value fees can still have significant implications for service users. It also warned that a materiality threshold could unintentionally increase the number of small fees.[120]

3.37 Another trade body representing merchants raised similar concerns about our ability to scrutinise the cumulative impact of small fee changes. It recommended lowering the threshold or requiring summary justifications for below threshold decisions, to capture aggregate impacts and deter strategic avoidance or fee fragmentation.[121]

3.38 A trade body representing financial services firms said that its acquirer members supported our proposed £100,000 materiality threshold.[122]

Our assessment

3.39 We remain of the view that a materiality threshold is appropriate for the AFDR requirement under the Pricing Governance remedy but have amended its level.

3.40 In CP25/3, we based the materiality threshold on the net annualised revenues that the fee is expected to generate. [123] We have now decided to use gross fee revenue instead. Gross revenue is significantly easier for the schemes to identify and for us to monitor, particularly as incentives and rebates are not always associated with specific fees. Therefore, we consider that gross revenue is a more practical and proportionate basis for the threshold.

3.41 Having considered Visa's argument for basing the materiality threshold on the incremental impact of the fee change rather than on the overall revenue associated with the fee, we have decided not to adopt it.

3.42 As set out in CP25/3:[124]

- The purpose of the remedy is to ensure the schemes clearly and contemporaneously document all reasons behind fee decisions, including how certain considerations (directly relevant to an assessment of prices by a regulator) are taken into account. This is to ensure, that we are able to rely in future on such documentation to better understand fee decision making, trends in the market, and the appropriateness of the overall level of acquirers' fees and the schemes' profitability. It is not, however, aimed at enabling us to assess whether an individual price increase is appropriate.
- The materiality threshold is designed to exclude, on proportionality grounds, fees which might not be particularly relevant in assessing the appropriateness of the overall level of fees and profitability. In setting the level, we also considered the need to ensure enough fee changes remained in scope to generate sufficient evidence to carry out the assessment described above.
- We also considered the risk of unintended consequences associated with a materiality threshold, including the risk of creating an incentive to make lower, incremental but more frequent pricing decisions.

120 Stakeholder response to CP25/3 [✂].
121 Stakeholder response to CP25/3 [✂].
122 Stakeholder response to CP25/3 [✂].
123 See CP25/3, paragraph 3.27.
124 See CP25/3, paragraph 3.27 to 3.33

3.43 Consistent with the aim of the remedy to help us understand the overall level of fees and profitability, we do not believe that evidence in relation to fee decisions may only be informative when an individual decision has a significant impact. Decisions with a smaller individual impact but relating to a significant fee (in terms of overall revenue) impact might also be informative when carrying out an assessment of fee decisions in the round, as it can contribute to our understanding of different drivers behind such decisions and how these drivers might influence the overall magnitude of the fee change (e.g., by exacerbating or moderating a fee increase). By contrast, we continue to believe that decisions relating to genuinely 'small' fees – in terms of overall revenue these generate – might not be representative, and therefore informative, of the drivers behind overall levels of fees and scheme profitability.

3.44 Further, a series of individually small changes to the same fee may, when considered cumulatively over time, may have a material impact on the overall level of fees and revenues generated. Focusing only on the incremental revenue impact of each individual decision could therefore overlook pricing decisions that are collectively significant.

3.45 Moreover, we were concerned that:

- moving to an increment-based threshold would increase the incentive to implement a price increase through multiple decisions and therefore increase the need for monitoring (see below paragraph 3.51 and 3.52)
- the specific threshold levels put forward by Visa would exclude too many fee decisions from the scope of the remedy, thereby undermining the effectiveness of the remedy by limiting the overall availability of evidence generated by it

3.46 To help identify the appropriate level of the materiality threshold, we obtained further evidence and carried out further analysis of the likely effects of different thresholds (see Annex 1). In particular, we considered how they would affect the number of in-scope Acquirer Fee Decisions, the share of relevant fee revenue in scope, and the indicative cost savings associated with the remedy.

3.47 Based on this analysis, we consider that the differences in the effectiveness and cost impact of the remedy across different thresholds are relatively limited (see CBA, Annex 2). A higher threshold would reduce the number of Acquirer Fee Decisions in scope of the requirement to produce AFDRs, and therefore the information available to us on lower-value fee changes. However, each of the threshold levels we considered would leave the substantial majority of relevant fee revenue in scope.[125] While the associated cost savings increase as the threshold rises, they remain relatively small in the context of the schemes' overall operations (see Annex 1). We also recognise that applying a threshold creates some additional complexity for both the schemes and us in determining scope and monitoring compliance.

3.48 We note that, in practice, a scheme may choose to apply the Pricing Governance requirements more broadly, rather than rely on the materiality threshold, where the administrative costs of determining which fee decisions fall within scope would outweigh the costs of applying the requirements more generally.

125 See Annex 1, paragraphs 1.24 and 1.25 and Table 2.

3.49 We also note the potential practical benefits of a common £250,000 materiality threshold across the ITC and Pricing Governance remedies, including reducing complexity for the schemes in applying the requirements and supporting a more consistent approach to implementation and monitoring.

3.50 Therefore, we have decided to increase the materiality threshold for the Pricing Governance remedy from £100,000 to £250,000 of gross annual fee revenue.

3.51 Some stakeholders were concerned that a materiality threshold could reduce our visibility of the cumulative impact of smaller fee changes, or create incentives for the schemes to structure fee changes in a way that takes more decisions out of scope. While we recognise these risks, we do not consider they justify retaining the proposed £100,000 threshold. The evidence indicates that the aggregate value of fee decisions falling below a £250,000 threshold is small and unlikely to provide material additional evidence for the purposes of this remedy.[126]

3.52 The Pricing Governance Direction contains anti-circumvention provisions, and the annual reporting requirements will help us monitor pricing patterns over time – including whether the threshold leads to unintended behavioural effects, such as creating incentives for schemes to structure or fragment fees to fall below the threshold. We will retain oversight of trends and keep the threshold under review.

Annual overview and compliance report

3.53 In CP25/3, we proposed that the schemes should give us annual information on relevant fee decisions and their compliance with the remedy. This included an annual overview of Acquirer Fee Decisions, and an annual Pricing Governance Compliance Report setting out how each scheme had complied with the direction. For all Acquirer Fee Decisions, we proposed requiring information such as the fee description and categorisation, the date of the decision and the anticipated net revenue associated with the fee.[127]

3.54 For Acquirer Fee Decisions outside of the scope of the materiality threshold, we proposed requiring the schemes to provide the actual revenues generated in the first full financial year following the decision taking effect, to ensure the materiality threshold achieves its intended aim.

Schemes' views

3.55 Visa said the scope of these requirements was disproportionate. It argued that requiring information on all Acquirer Fee Decisions in the Annual Overview and Compliance Report:

- would be unnecessarily burdensome
- would create a material risk of inadvertent non-compliance, particularly for fee changes it makes for consistency across its global operations that would have an immaterial impact on its UK acquirer customers' fees

126 Our analysis indicates that fee decisions falling below a £250,000 threshold account for only a very small share of the gross revenue of both new or changed scheme and processing fees collected from acquirers by the schemes. See Annex 1, paragraph 1.23.

127 See Pricing Governance Direction, Annex 3.

3.56 It also raised concerns about the requirement to provide: (i) forecast impacts using historical data; and (ii) actual revenues in the first full financial year following implementation of an Acquirer Fee Decision.[128]

3.57 Visa also said that reporting full-year outturn revenues in the first full financial year following a decision would generally not be feasible for Acquirer Fee Decisions outside the materiality threshold. It said that:

- it is typically not possible to provide such figures until at least one year after a fee change is implemented, which itself is usually around [✂] after the fee has been approved
- accordingly, it would typically only know such figures at least [✂] years after approving a fee change
- actual revenues cannot be compared with anticipated revenues on a like-for-like basis, and this exercise would not be meaningful because its internal impact estimates are intended to assess fee changes [✂]

3.58 It added that detailed revenue forecasting for the purposes of this comparison would be unhelpful and unnecessary.[129]

3.59 Consequently, Visa argued that the remedy would be disproportionate unless we also applied the materiality threshold to the Annual Overview and Compliance Report.[130]

3.60 Visa also said that using historical data to forecast the financial impact of a fee change carries significant 'client risks', because it would not account for how acquirers may respond to new or adjusted fees (particularly behavioural fees) and such an approach could misrepresent the impact of the change. It proposed instead to provide anticipated first-year revenue impacts for behavioural fees in line with its existing impact assessment practices.[131]

3.61 Mastercard also raised points on the proposed reporting requirements, including the drafting of certain Annual Overview fields, the use of the defined term 'UK Transactions' in relation to forecast revenue reporting and whether the forecast revenue information required in the Annual Overview differs from the obligation in paragraph 1.6(a) of the draft Pricing Governance Direction. In particular, it said that we should only require the schemes to comply with requirements expressly set out in the direction, rather than any unspecified future requirements.[132]

Other stakeholders' views

3.62 A trade body representing merchants said that, if the schemes' compliance reporting is not shared with acquirers and merchants, the PSR should consider publishing information derived from it so that acquirers and merchants have visibility of the overall picture. It also said that reporting solely to the PSR would not fully address information asymmetries in the market, as acquirers and merchants bear the cost of scheme fees and should have greater visibility of the services and fee changes for which they are charged. This could be done either through direct disclosure by schemes or through publication by the PSR.[133]

128 Visa response to CP25/3, paragraphs 4.3(d), 4.13 to 4.16 and 4.24 to 4.26.

129 Visa response to CP25/3, paragraphs 4.15 and 4.16.

130 Visa response to CP25/3, paragraphs 4.13 and 4.14.

131 Visa response to CP25/3, paragraphs 4.24 to 4.26.

132 Mastercard response to CP25/3, page 8.

133 Stakeholder response to CP25/3 [✂].

3.63 It added that our compliance monitoring should align more closely with the schemes' biannual release cycle, as annual reporting would be too infrequent to identify emerging issues. It argued that the schemes should report, for relevant fee decisions, the revenues actually collected once known, as well as the revenues originally forecast. It also suggested that the remedy should take account of the cost impact of adjusting business processes to respond to behavioural fee changes, and that behavioural fee considerations should be extended to merchants, given that such fees may be aimed at merchant behaviour and passed through to them.[134]

Our assessment

3.64 We recognise the concerns about the feasibility of producing accurate revenue forecasts. However, we still consider it appropriate to require them. They will support our oversight of the remedy and our understanding of the likely impact of relevant fee decisions, and will not affect the information that the schemes currently give acquirers.

3.65 We also recognise that the schemes may incur some additional costs in estimating revenues for individual fee decisions. However, we do not consider that this would materially affect our assessment of the overall costs of the remedy. In particular, the number of relevant fee decisions appears relatively small based on the historic data, which limits the scale of any forecasting and reporting exercise (see Table 2 in Annex 1).

3.66 We have amended the reference to 'reasonably forecast' revenues in the Pricing Governance Direction to 'reasonably anticipated'. We consider that this appropriately reflects the need for the schemes to produce those estimates on a reasonable basis, without requiring unduly burdensome forecasting, instead allowing schemes to provide revenue estimates on a reasonable basis using available internal information. This will mean we receive sufficiently robust estimates, while recognising their inherent uncertainty and allowing for subsequent comparison with actual revenues. We recognise that such estimates may not fully capture how acquirers respond to new or adjusted fees, particularly behavioural fees, and may be affected by broader market factors. However, they still provide a useful basis for monitoring compliance.

3.67 We have clarified the relevant reporting requirements in the Pricing Governance Direction. Schemes must report the actual revenues generated in the UK only in connection with fee decisions that fall beneath the materiality threshold in the first full Financial Year after they implement the relevant Acquirer Fee Decision. This ensures that their obligations are clearly defined and practicable.[135] We do not consider that collating this, together with the other information required for Acquirer Fee Decisions outside the scope of the materiality threshold in the Annual Overview and Compliance Report, is a disproportionate burden.

134 Stakeholder response to CP25/3 [✂].

135 See Pricing Governance Direction, Annex 3, Table 2(i).

3.68 Having considered the schemes' and stakeholders' views, and having made targeted refinements to address concerns about proportionality and implementation burden, we remain of the view that the schemes should submit the Pricing Governance Compliance Report and the Annual Overview to us annually. This will help us, in a proportionate way, monitor how the schemes are applying the remedy, identify patterns in relevant fee decisions over time, and assess whether the governance requirements are operating as intended.

3.69 We do not consider it necessary to publish information derived from the schemes' reporting as part of this remedy. Our focus is on strengthening regulatory oversight and ensuring that we have access to robust and comparable information to assess pricing decisions. This is also consistent with the position set out in paragraphs 1.13 to 1.16 and Annex 1 of CP25/3, where we explained that we had decided not to pursue the publishing scheme information remedy because it would not be effective or proportionate.[136]

Implementation and timings

3.70 In CP25/3 and the proposed Pricing Governance Direction, we proposed that the schemes should implement the Pricing Governance remedy within four months of the direction coming into effect. This meant that Acquirer Fee Decisions made from that point onwards would need to comply with the direction.

Stakeholders' views

3.71 Mastercard told us that a four-month implementation period would be unfeasible, citing the range of operational changes it would need to make. These included updating policies, processes and controls, training staff, and making arrangements to prepare and maintain AFDR documentation. It recommended that we extend the timeframe to six months from the Commencement Date.[137]

3.72 Visa said that a four-month implementation period would be particularly challenging, as its pricing decisions usually have longer lead times, and decisions it makes after four months must be compliant. It said this would mean it would have to begin changing its pricing governance processes before we publish our final direction.[138] It said that if we retained the £100,000 materiality threshold, it would require significant additional resources across multiple global teams to prepare decision records for the high volume of low-materiality fees. The associated training and set-up processes would also be more onerous and would likely require a longer implementation period than four months.[139]

136 In CP25/3, we noted that, as we received information from schemes under this remedy, we would be able to assess that information and consider whether publishing PSR analysis based on this information (in combination with other sources of information) would assist the promotion of our statutory objectives (see paragraphs 1.7 to 1.10 of Annex 1 to CP25/3).

137 Mastercard response to CP25/3, page 6.

138 Visa response to CP25/3, paragraph 4.19.

139 Visa response to CP25/3, paragraph 4.18.

Our assessment

3.73 We acknowledge the challenges in implementing this remedy within four months, and recognise in particular that the schemes will need to make changes to policies, processes and governance arrangements. However, based on the evidence available, we consider that these changes are proportionate and practicable within that period, particularly in light of the refinements we have made following consultation. These include the higher materiality threshold and changes to certain compliance requirements, which reduce the number of in-scope fee decisions and the overall burden of implementation.

3.74 The schemes have not provided compelling evidence that, following those refinements, the requirements could not be implemented within four months.

3.75 We note that the Pricing Governance Direction enables us to grant extensions (and exemptions) – for example, on specific aspects of the remedy. We normally only grant extensions (or exemptions) in limited circumstances. We will monitor implementation of the direction by the schemes and assess any reasoned request for an extension (or exemption) on its merits (and the evidence submitted in support of it).

4 Proportionality of our remedies and consideration of regulatory requirements

4.1 Section 53 of FSBRA sets out the regulatory principles we must have regard to when exercising our general functions relating to payment systems. Insofar as reasonably possible, we must also act in a way that advances our payment systems objectives[140] when exercising our general functions. We consider these regulatory principles and our payment systems objectives are also relevant when we perform any other functions under FSBRA, including when we decide to make specific directions, such as the directions imposing the Pricing Governance and ITC remedies, using our powers under s.54 FSBRA.[141] Our regulatory principles include, in particular: the efficiency principle;[142] the proportionality principle;[143] the desirability of sustainable growth;[144] and the transparency principle.[145]

Proportionality of our remedies

4.2 In considering proportionality, we have assessed whether the ITC and Pricing Governance remedies – as implemented by the ITC Direction and Pricing Governance Direction:

- are effective in achieving their legitimate aims
- are no more onerous than needed to achieve those aims, and are the least onerous effective measures available
- do not produce adverse effects that are disproportionate to the aims pursued

140 Section 49 FSBRA. Our payment systems objectives are the competition (section 50 FSBRA), innovation (section 51 FSBRA) and service user objective (Section 52 FSBRA). Section 49 FSBRA also obliges us, when exercising our general functions, to have regard to: (a) the importance of maintaining the stability of, and confidence in, the UK financial system; and (b) the importance of payment systems in relation to the performance of functions by the Bank of England in its capacity as a monetary authority.

141 See our *Powers and Procedures Guidance* (September 2024) which explains, at paragraphs 3.3 and 3.4, that when exercising our general functions, we must have regard to our statutory objectives, the importance of financial stability, and payment systems and the regulatory principles. Paragraph 3.5 explains that when performing any other functions (not our general functions) under FSBRA, we will also have regard to our payment systems objectives, the importance of financial stability, and of payment systems and the regulatory principles (although FSBRA does not require this), and aim to act in a manner that does not run contrary to any of those objectives and principles.

142 Section 53 (a) FSBRA: the need to use the resources of the PSR in the most efficient and economical way.

143 Section 53 (b) FSBRA: the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction.

144 Section 53 (c) FSBRA: the desirability of sustainable growth in the economy of the United Kingdom in the medium or long term, including in a way consistent with contributing towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets) where the Payment Systems Regulator considers the exercise of its functions to be relevant to the making of such a contribution.

145 Section 52 (h) FSBRA: the principle that the PSR should exercise its functions as transparently as possible.

4.3 In making that assessment, we have taken account of the harms identified in our market review, the aims of each remedy, the consultation responses and evidence we received, the refinements we have made following consultation, and the expected benefits and costs of the remedies.

4.4 For the reasons set out in this document and summarised below, we conclude that the ITC Direction and Pricing Governance Direction are proportionate to the aims they pursue.

Proportionality of the ITC Direction

Is effective in achieving its legitimate aim

4.5 The ITC remedy is intended to address the concern, identified in our market review, that Mastercard and Visa do not provide acquirers with sufficiently clear and detailed information about scheme and processing fees.

4.6 We consider that the ITC Direction is capable of addressing that concern by requiring the schemes to provide acquirers with clearer, more timely and more usable information about existing, new and modified fees, including information that enables acquirers to understand how fees are triggered, reduce unnecessary operational costs, and to reconcile billed fees.

4.7 This will improve acquirers' ability to understand and respond to scheme and processing fees and thereby help address the poor outcomes for acquirers and merchants identified in our market review.

Is no more onerous than needed to achieve that aim and is the least onerous remedy among other effective measures

4.8 We have engaged with the schemes to ensure that the remedies are capable of being implemented in an effective manner, leveraging, where appropriate, existing IT systems and processes to minimise the need for system and operational changes.

4.9 For example, since CP25/3, we have refined the fee reconciliation requirement, replacing the proposed transaction-level identifier approach with a requirement for schemes to provide the relevant fee logic and related information needed to enable acquirers to reconcile billed fees effectively.[146]

4.10 We have increased the materiality threshold for certain ITC2 requirements from £100,000 to £250,000, so that those requirements do not apply to very low-value new and modified mandatory and optional opt-out fees, while still achieving the aim of the remedy, given our conclusion that the substantial majority of relevant fee revenue would be within scope of a materiality threshold of £250,000.[147]

4.11 Taken together, these refinements help reduce the risk of implementation burden while preserving the effectiveness of the ITC Direction. In contrast, we have not introduced a materiality threshold for ITC1, as we consider this would undermine the effectiveness of the remedy.[148]

146 See paragraphs 2.50 to 2.54.

147 See paragraphs 2.72 to 2.80 and Annex 1.

148 See paragraphs 2.73 to 2.75 and Annex 1.

Does not produce adverse effects which are disproportionate to the aim pursued

4.12 We recognise that the ITC Direction will require Mastercard and Visa to make systems and operational changes and will impose compliance costs. However, as set out in our CBA (see Annex 2), we expect the ITC Direction to be net beneficial over a ten-year period.[149] It will bring benefits over time which we consider significant enough to justify the implementation costs, particularly given the significance of the information deficiencies identified in our market review and the direct way in which the remedy addresses them.

4.13 As set out in Chapter 2 above and explained in the CBA, we have carefully considered the potential for the ITC Direction to cause unintended consequences throughout our market review[150], and have mitigated such risks by refining the remedy following extensive engagement with stakeholders, including two rounds of consultation (CP25/1 and CP25/3). Overall, we do not consider that the ITC Direction is likely to cause unintended consequences, nor to have adverse effects on growth[151] or innovation.

Proportionality of the Pricing Governance Direction

Is effective in achieving its legitimate aim

4.14 The Pricing Governance Direction will ensure that Mastercard and Visa consider service users' interests when making relevant pricing decisions and keep clear contemporaneous records of the factors informing pricing decisions for scheme and processing fees on the acquiring side of the market.

4.15 This will support more disciplined and accountable pricing governance and will enable us to request better information about the basis for in-scope pricing decisions, which in turn will reduce the regulatory information gap identified in our market review, and is likely to inform more confident and better-informed future decision-making.[152]

Is no more onerous than needed to achieve that aim and is the least onerous remedy among other effective measures

4.16 Through consultation and engagement with the schemes, we have refined the Pricing Governance remedy to ensure that it is capable of being implemented in an effective manner while reducing the burden on the schemes.

4.17 Relative to previous proposals, we have streamlined the pricing decision framework so that the Pricing Governance Direction requires the schemes to take account of a single principle, namely service users' interests, rather than the broader set of pricing principles consulted on previously, and we clarified that AFDRs need only address matters relevant to the pricing decision in question.

4.18 We have also narrowed the scope of the Pricing Governance Direction to the acquiring side of the market and introduced a materiality threshold of £250,000, so that it applies only to fee decisions where the relevant fee is expected to generate more than that amount in annual gross revenue. We consider this threshold balances the financial impact on the schemes of complying with the Pricing Governance Direction, while maintaining its effectiveness.[153]

149 See paragraph 2.21 and Annex 2, paragraphs 2.69 to 2.74.

150 See Annex 2, paragraph 2.132.

151 See Annex 2, paragraphs 2.128 and 2.129.

152 See Annex 2, paragraphs 2.102 to 2.104.

153 See paragraphs 3.39 to 3.52 and Annex 1, paragraphs 1.26 to 1.29.

4.19 In addition, we have made targeted changes to the compliance requirements, including extending the period for responding to our requests for AFDRs from five to ten working days.[154]

4.20 Taken together, these refinements reduce the risk of burden while preserving the effectiveness of the Pricing Governance Direction in addressing the identified regulatory information gap.

Does not produce adverse effects which are disproportionate to the aim pursued

4.21 We recognise that the Pricing Governance Direction will impose compliance and governance costs on Mastercard and Visa, including the need to adapt internal processes, maintain records and prepare annual reporting. However, as set out in our CBA (see Annex 2), we expect the Pricing Governance Direction to be net beneficial.[155] It will bring benefits over time which we consider significant enough to justify the relatively low implementation costs, particularly given the importance of enabling us to understand the basis for relevant pricing decisions and assess the appropriateness of the overall level of fees and profitability of the schemes' card activities.

4.22 As set out in Chapter 3 and in the CBA, we have carefully considered the potential for the Pricing Governance Direction to cause unintended consequences and have mitigated such risks by refining it following extensive engagement with stakeholders, including two rounds of consultation (CP25/1 and CP25/3).[156] Overall, we do not consider that the Pricing Governance Direction is likely to cause unintended consequences, nor to have adverse effects on growth[157] or innovation.

Other relevant regulatory principles

4.23 In addition to the proportionality principle, we have had regard to our payment systems objectives and the other relevant regulatory principles in section 53 of FSBRA, in particular the efficiency principle, the desirability of sustainable growth, and the transparency principle.

4.24 Taking account of the above, the findings made in our final report, the expected outcomes and benefits of each of the ITC and Pricing Governance remedies outlined in Chapters 2 and 3 and Annex 2, we find that the imposition of each direction:

a. will be effective in promoting our statutory objectives of:
   - promoting effective competition
   - ensuring that payment systems are operated in a way that takes account of, and promotes, the interests of those who use them

b. is consistent with our intention to have regard to sustainable growth in the UK economy (see, in particular, Annex 2, paragraphs 2.123 to 2.130)

c. represents an efficient use of our resources in view of the impact of the proposed requirements

154 See paragraph 3.23.

155 See Annex 2, paragraph 2.104.

156 See Annex 2, paragraph 2.132.

157 See Annex 2, paragraph 2.129.

4.25 We further consider that our approach to designing the ITC and Pricing Governance remedies has been consistent with the transparency principle. We have undertaken multiple rounds of consultation and other stakeholder engagement which has resulted in us refining our thinking and our ultimate remedy design. Also, we consider that our decision to impose the Pricing Governance and ITC remedies is consistent with the other regulatory principles in Section 53 FSBRA, and other considerations FSBRA mandates us to consider when exercising our general functions, that we also consider to be relevant to this context[158].

Monitoring and evaluation

4.26 We have also considered, as part of our assessment of proportionality and effectiveness, how we will monitor and evaluate the efficacy of the directions.

4.27 In relation to the ITC Direction, we will review the information provided by the schemes and engage with acquirers to assess whether the direction is operating as intended, including whether the information provided is sufficiently clear, timely and usable to address the concerns identified in our market review. In relation to the Pricing Governance Direction, we will review the schemes' annual reporting, relevant fee decision records and other information obtained under the Direction to assess how the direction is operating in practice.

4.28 More generally, our monitoring will help us assess whether the remedies remain effective and proportionate over time, including whether any aspect of their design gives rise to unintended consequences, or warrants further refinement in light of implementation experience. We plan to review our interventions in line with best practice as set out in the FCA rule review framework.[159]

Equality and diversity

4.29 We have considered the equality and diversity issues that may arise from these remedies. We do not consider that it would negatively affect any of the groups with protected characteristics under the Equality Act 2010.

158 For example, we do not consider that the Pricing Governance or ITC remedies will have an adverse impact on financial stability, or the performance of functions by the Bank of England in its capacity as a monetary authority, nor will they have an adverse effect on the stability of, and confidence in, the UK financial system.

159 As set out in HM Treasury's consultation, *A Streamlined Approach to Payment Systems Regulation*, the government intends to abolish the PSR and consolidate its functions within the FCA. Within that context, the government intends that the FCA should have powers for when it acts in relation to payment systems that are broadly equivalent in scope and substance to what the PSR currently has. As a result, we expect the FCA, in due course, to take over responsibility for monitoring and evaluating these remedies.

Annex 1
Evidence and analysis on materiality thresholds

In this annex, we summarise the evidence and analysis that informed our decisions on the materiality thresholds for the Information, Transparency and Complexity (ITC), and Pricing Governance remedies.

The annex is intended to provide a high-level overview of the data and information we reviewed, including submissions from Mastercard and Visa on the likely effects of different materiality threshold levels on the effectiveness and implementation costs of the remedies. This analysis provides an indication of the broad trade-offs associated with different threshold levels, alongside wider policy considerations set out in Chapters 2 and 3.

1.1 In CP25/3, we proposed applying a materiality threshold:

- to ITC2 (covering new and changed fees only), but not to ITC1 (which covers all existing fees)
- to the Pricing Governance remedy

1.2 As set out in Chapters 2 and 3, we received mixed views from stakeholders on our proposals. We reviewed information provided by Mastercard and Visa on how different materiality threshold levels would affect the scope and practical operation of the remedies. In broad terms, we looked at data showing how different thresholds would affect the share of fee revenues and fee changes that would remain in scope, and the extent to which fees paid by acquirers would fall within the scope of the remedies. We have also considered potential disproportionate impact on some acquirers or merchants of extending the materiality threshold to ITC1.

Impact of applying a materiality threshold (based on data relating to existing fees) on effectiveness

1.3 In order to assess the appropriateness of applying a materiality threshold on either remedy (including the schemes' submission that this should also apply to ITC1), and the potential impact on how different thresholds would affect the share of fees that would remain in scope, we first looked at data submitted by the schemes based on existing fees.

Overall coverage

1.4 Table 1 below shows, for Visa and Mastercard, how the number of acquirer billing lines falling within scope of the remedies (and their share of gross acquirer S&P fee revenue) would vary under different threshold levels for all existing fees, including no threshold.[160]

Table 1: Coverage of acquirer billing under different levels of materiality thresholds

		No threshold	£100k	£300k	£500k
Visa ([✂])	Number (and share) of billing lines in scope	[✂] (100%)	[✂] ([✂]%)	[✂] ([✂]%)	N/A
	Value (and share) of acquirer fee revenue for billing lines in scope	£[✂] (100%)	£[✂] ([✂]%)	£[✂] ([✂]%)	N/A
Mastercard (2023 data)	Number (and share) of billing events in scope	[✂] (100%)	[✂] ([✂]%)	[✂] ([✂]%)	[✂] ([✂]%)
	Value (and share) of acquirer fee revenue for billing events in scope[161]	€[✂] (100%)	€[✂] ([✂]%)	€[✂] ([✂]%)	€[✂] ([✂]%)

Source: Our analysis, based on submissions from the schemes.[162] We do not have data from Visa in relation to a potential £500,000 threshold.
NOTE: The schemes noted caveats and limitations around the data submitted.[163] We consider that these may impact the levels of coverage presented in Table 1.

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160 Analysis for Visa and Mastercard in this section is based on gross fee revenues.

161 Mastercard set out the following caveats around the data submitted:

- The tables include customer-related fees and may therefore reflect impacts beyond acquirers, including potential issuer impact.
- Certain ATM-only fees were excluded from the scope of the analysis…
- All data (including the thresholds) is presented in euros (€) rather than pounds sterling (£).
- The term "Number of fees" was interpreted as "[✂]" (it is unclear what is meant by "number of billing lines").
- All percentage calculations are based on total billing amounts prior to the application of any materiality threshold.
- Negative amounts correspond to adjustments/billing corrections (i.e. billing refunds) that are recorded through dedicated adjustment billing events [✂]. As a result, a single adjustment billing event (with a negative amount) may correct the billing of several (original) billing events (with positive amounts). This means it [✂].
- When a positive threshold is applied, adjustment billing events (refunds) - which typically have negative amounts – tend to fall below that threshold. Based on FY2023 data, [✂], leading to an overall net negative amount in the table.'

162 Mastercard response to PSR questions on ITC, [✂]; Visa response to [✂].

163 There are various issues with the data, some of which may be understating the number of fees that would fall below the threshold and/or their impact. For example, in response to [✂], Visa stated that the analysis is based on [✂] billing data for acquirers that are licensed in the UK and have a UK registration number (approximately [✂] acquirers) i.e. it does not include acquirers that are registered outside of the UK but may nevertheless acquire merchant transactions with a UK POS. As part of our market review, Visa previously provided financial information to respond to our request for UK-specific revenues (using a bespoke, one-off exercise), which indicated that there were approximately [✂] acquirers with 'UK card transactions' in 2023. Therefore, we expect that a large proportion of the number of acquirers with UK transactions is excluded from Visa's analysis; however, we do not have information on their revenue share. See Visa response to [✂]. In the figures submitted by Mastercard, where a fee affects acquirers as well as other stakeholders, reported revenues include all stakeholders, not just acquirers. This is in addition to Mastercard's negative revenue figures (due to refunds) which will distort the data on the level of coverage.

1.5 The analysis in Table 1 indicates that, for both schemes, the vast majority of existing acquirer fee revenue would remain within scope under each of the threshold levels considered. However, this finding is subject to an assumption that the data limitations underlying the analysis do not have a material effect on results in Table 1 (see note to Table 1 about the caveats and limitations of the data). We note that we are unable to test this assumption due to data limitations in the information submitted to us.

1.6 We do not know whether the fees that would not be captured by the threshold account for a large share of acquirer queries. We requested information from both schemes on whether particular billing lines or fee values tend to generate more acquirer queries or requests for clarification. [✂]. Visa noted that undertaking a robust analysis of billing-related queries is challenging given the nature of the query data that is readily available to it. It shared the findings of internal analysis of a sample of client queries submitted during [✂], however we do not have sufficient information to assess whether the sample is representative. This analysis indicated that the vast majority of billing-related queries (around [✂]) do not reference specific billing lines in the text of the query, and such queries are focused on more generic operational and administrative matters.[164] Visa indicated that, in its experience, its acquirer clients are generally most interested in understanding fees/billing lines that generate a material cost on their invoices, as well as fees/billing lines that are behavioural or optional fees.[165]

Impact on individual acquirers

1.7 In order to assess the schemes' submission that the materiality threshold should apply to ITC1 as well, we also considered how different acquirers might be impacted by such a proposal, and whether there might be a disproportionate impact on some acquirers or merchants. The schemes provided information on the proportion of acquirers for whom at least 90% of the value of existing fees would remain within scope under each threshold. Visa provided information on UK-licensed acquirers who would have had less than [✂] [the vast majority of] invoice coverage (based on [✂] billing data) under Visa's proposed materiality threshold.[166] This metric should be interpreted with caution, as it provides only a partial indication of how threshold levels may affect acquirers in practice (e.g. if there is a disproportionate impact on particular types of acquirers).

1.8 Visa said that, at its proposed materiality threshold level of [✂], almost all ([✂]) of its UK-licensed acquirers would have [✂] [the vast majority] of the value of their existing fees/billing lines within scope.[167] Visa said that its [✂] UK-licensed acquirers falling below its proposed [✂]% invoice-coverage threshold accounted for [✂]% [a very small proportion] of total invoice value across its UK-licensed acquirer customers, and [✂].[168] However, Visa's analysis does not include acquirers who are not based in the UK but have UK transactions, and we do not have data on their revenue share to assess whether including them in the analysis would have a material impact on the findings.

164 Visa response to [✂].

165 Visa response to [✂].

166 Visa response to [✂].

167 Visa response to [✂] and Visa response to CP25/3, Annex 3, paragraph 3.4.

168 Visa response to CP25/3, Annex 3, paragraph 3.5.

1.9 Mastercard's data, presented in Figure 1 below, shows that with a materiality threshold of c. £250,000 or higher, a significant share of acquirers would no longer have at least 90% of the value of existing fees within scope.

Figure 1: Mastercard: Share of acquirers with at least 90% coverage of value of existing fees by threshold

[✂]

Source: Our analysis based on Mastercard response to PSR questions on ITC, [✂]. Mastercard submitted figures are in euros.

1.10 While information would still be made available to acquirers upon request for fees that would fall below a materiality threshold, there is uncertainty over the quality of information provided and the speed of providing it, as there is no obligation on the schemes below the threshold.

Impact on individual merchants

1.11 Due to data limitations, it is difficult to assess whether any merchants/merchant sectors would be significantly impacted by the fees that would fall below the different levels of a materiality threshold. Mastercard argued that there is no significant impact, but did not provide evidence or analysis to support its view.[169] Visa explained that its internal systems [✂]. It added that it did not identify any merchants or merchant sectors that would be significantly impacted as a consequence of its proposed approach.[170,171,172]

Impact of applying a materiality threshold for ITC2 (based on data relating to new and changed fees) on effectiveness

1.12 In order to assess how different levels of a materiality threshold would affect the scope of ITC2, which applies only to new and changed fees, we analysed schemes' data on new and changed fees between 2022 and 2025.[173]

1.13 The figures below are based on data submitted by the schemes on the incremental gross revenue generated from acquirers for new and changed fees between 2022 and 2025. The figures show, for Visa and Mastercard respectively, the proportion of the change in revenue due to new and changed fees that would be outside the scope of ITC2 under different threshold levels (assuming historic data is reflective of future fee changes). In assessing this evidence, we acknowledge that the schemes' submissions were based on the expected incremental revenue impact of fee changes, rather than the total revenue associated with the relevant fees on which the materiality threshold will be calculated.

169 Mastercard response to PSR questions on ITC, [✂].

170 See Visa response to [✂].

171 Visa also explained that it does not have access to acquirers' internal data on acquirers' merchant transactions. See Visa response to CP25/3, paragraphs 3.13 to 3.16.

172 Visa stated that it did not anticipate an adverse impact on any particular merchants or merchant sectors, as its proposed approach would provide 'standard transparency information' across all fees/billing lines and 'enhanced transparency information' across all behavioural fees and high-value non-behavioural fees. Visa said that fees/billing lines below its proposed threshold would only make up [✂] [a very small proportion] of total acquirer invoice coverage by value, and that 'enhanced information' would be provided upon request for these fees/billing lines anyway. See Visa response to [✂].

173 Mastercard submission on Pricing Governance: New and Changed fees data 2022-2025 [✂], and Visa submission [✂].

This means the analysis may underestimate the number of new and changed fees that are captured by the requirements under different threshold levels. We consider however that despite these limitations this data is informative.

Figure 2: Visa's share of gross incremental fee revenues by threshold ([✂])

[✂]

Source: Our analysis based on Visa submission on [✂]. The analysis is based on incremental revenue impact of fee changes, rather than the total revenue associated with the relevant fees, therefore some new and changed fees that fall under the different thresholds may not be captured by the analysis.

Figure 3: Mastercard's share of gross incremental fee revenues by threshold (2022-2025)

[✂]

Source: Our analysis based on Mastercard submission on Pricing Governance: New and Changed fees data 2022-2025, [✂]. The analysis is based on incremental revenue impact of fee changes, rather than the total revenue associated with the relevant fees, therefore some new and changed fees that fall under the different thresholds may not be captured by the analysis.

1.14 The figures indicate that, for both schemes, the vast majority of existing acquirer incremental fee revenue from fee changes would remain within scope under each of the threshold levels considered. The differences between the thresholds are relatively small for lower thresholds, with only a limited share of incremental fee revenue falling outside scope.

1.15 The analysis presented in Table 1 indicates that a threshold in the region of £250,000 would still leave the substantial majority of relevant fee revenue within scope.[174] For fees that fall below the threshold and are not subject to the ITC2 requirements, the reduction in the benefit to acquirers from the requirement is relatively small, as this only delays the provision of the relevant information to acquirers.

Indicative cost impacts of a different materiality threshold for ITC

1.16 We also requested information from both schemes on how a threshold might affect the costs of implementing the remedy. In the case of applying a threshold for ITC1 and ITC2:

- Visa argued that a [✂] materiality threshold for both ITC1 and ITC2 would reduce its estimate of one-off costs from [✂] to [✂], and ongoing annual costs would fall from [✂] to [✂].[175]
- Mastercard noted that several cost items (e.g. the Change Project and the Ongoing Review) [✂], and the manual effort would be approximately proportional to the number of in-scope fees, as [✂]. Other cost items, [✂], will be affected by the number of fees in scope to a lesser extent.[176]

174 Based on Table 1, a threshold of £300,000 would have around [✂]% coverage of fee revenue for all existing fees. Therefore, even if we were to assume an extreme case where all fees below a £250,000 threshold were changed, their revenue share would still account for a very low proportion of revenues from acquirer fees.

175 Visa response to [✂].

176 Mastercard response to PSR questions on ITC, [✂].

1.17 If some fees were to be excluded from the scope of ITC1 and ITC2, we expect that there would be ongoing costs associated with this (e.g. identifying and updating the fees on annual basis and dealing with providing information upon request from acquirers). The schemes recognised that there will be additional costs, but they did not provide an estimate for such costs. Visa recognised that there would be some additional ongoing costs associated with: (i) undertaking periodic reviews to ensure that its proposed approach continues to provide sufficient coverage of acquirer invoices across existing and new fees/billing lines; and (ii) providing information in response to acquirer queries as needed. It did not provide specific estimates for such costs, but [✂].[177] Mastercard recognised that there will be additional costs, but explained that it had not undertaken a detailed assessment of those costs, as its resources were focused on implementing our proposed measures.[178]

1.18 In the case of a materiality threshold applied to ITC2 only, the schemes' submissions can be summarised as follows:

- Mastercard submitted that the costs of the remedy would not be affected by a materiality threshold for ITC2, as all fees would still be captured under ITC1.[179]
- Visa's submission indicated that a [✂] materiality threshold for ITC2 may result in some additional cost savings, but it expects that these would be relatively low compared to the significant upfront costs associated with producing 'enhanced information' across all existing fees/billing lines. As set out in paragraph 1.16 of Annex 1, Visa said that if a [✂] materiality threshold was applied to both ITC1 and ITC2, estimated ongoing annual costs would fall from [✂] to [✂].[180] We explain in Appendix 1 that we consider that this ongoing cost is likely to still be £[✂] if a materiality threshold is applied to ITC2 only (but also conducted a sensitivity analysis using the £[✂] figure).

1.19 We recognise that the cost savings from a materiality threshold will be more limited where it applies only to ITC2, but we would expect a fall in ongoing annual costs as a result. However, we consider that there is still some reduction in compliance costs, e.g. as the ability to delay the provision of information for certain billing lines allows schemes more time to incorporate these requirements into their business-as-usual processes and manage implementation more efficiently.

177 Visa response to [✂].

178 Mastercard response to PSR questions on ITC, [✂].

179 Mastercard response to CP25/3, page 12.

180 Visa response to [✂].

Impact of applying a materiality threshold on the effectiveness of the Pricing Governance remedy

1.20 In order to assess how different levels of a materiality threshold would affect the scope of the Pricing Governance remedy (which relates to new and changed fees), we asked the schemes to submit data for new and changed fees between 2022 and 2025.[181] The analysis in this section is based on the schemes' submissions on the expected incremental gross revenue impact of fee changes (i.e. new and changed fees), rather than the total revenue associated with the relevant fees. This means the analysis may overstate the number of fee decisions that would fall outside the direction's scope under different threshold levels. If so, it would also tend to overstate the potential cost savings associated with any threshold.

1.21 We consider however that despite these limitations this data is informative. Indeed, regardless of whether the analysis is based on total or incremental revenue, the analysis set out in this section shows that the number of excluded fees (and associated costs savings) due to a threshold is likely to be relatively small.[182]

1.22 For the Pricing Governance remedy, we reviewed data submitted by the schemes on the revenue impact of recent fee changes to show how different materiality threshold levels would affect the scope and practical operation of the Pricing Governance remedy. In broad terms, our analysis shows that the main effect of a higher threshold would be to reduce the number of fee decisions for which the schemes would need to prepare AFDRs.[183]

1.23 Table 2 below shows the estimated number of Acquirer Fee Decisions that would fall within scope of the remedy under different threshold levels, based on the historic data on new and changed fees submitted by the schemes.[184] This is based on expected incremental gross revenue impact of fee changes (rather than the total revenue associated with the relevant fees) which is likely to understate the number of AFDRs that would fall within the direction's scope under the different thresholds.

181 Mastercard submission on Pricing Governance: New and Changed fees data 2022-2025 [✂], and Visa submission [✂].

182 The number of excluded fees (and associated cost savings) due to a threshold looks to be relatively small based on the information provided by the schemes (which was based on incremental revenue). Under total gross revenue rather than incremental revenue, the number of fees (and associated cost savings) would be even smaller. This is because more fee changes are likely to be captured by a given level of materiality threshold when it is based on total rather than incremental revenue.

183 Our analysis based on Mastercard submission on Pricing Governance: New and Changed fees data 2022-2025 [✂], and Visa submission [✂].

184 The total gross revenue of both new or changed scheme and processing fees collected from acquirers by the schemes between 2022 and 2025 is £[✂] [hundreds of millions of pounds]; the total gross revenue of both new or changed fees in the same period that individually fall below the £250,000 threshold is £[✂] collectively, i.e. only [✂]% [under 1%] of the total gross revenue of both new or changed fees.

Table 2: Estimated number of annual AFDRs per threshold by scheme

Average number of annual AFDRs	Threshold					
	-	£100,000	£250,000	£300,000	£500,000	£1 million
Mastercard	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]
Visa	[✂]	[✂]	[✂]	[✂]	[✂]	[✂]

NOTE: The analysis is based on incremental revenue impact of fee changes, rather than the total revenue associated with the relevant fees, which is likely to understate the number of AFDRs that would fall within the direction's scope under the different thresholds.

1.24 Table 2 indicates that the number of relevant fee decisions is relatively small for both schemes, and that higher threshold levels would reduce that number further. The reduction appears [✂], but the figures should be interpreted as indicative only, as based on past years.

1.25 The analysis presented in Table 1 shows that Acquirer Fee Decisions that would fall outside the scope of the £250,000 materiality threshold account for only a very small share of the schemes' revenue associated with new and changed scheme and processing fees.[185]

Indicative cost impacts of different materiality threshold levels for Pricing Governance

1.26 Based on Table 2 and on broad assumptions on the staff time required to prepare and maintain AFDRs, we produced indicative estimates of how the annual costs of the remedy might vary under different threshold levels. We present estimates to illustrate the potential scale of cost savings in Table 3 below, though as explained below they are likely to be overstated. These are potential savings in the first year and every year thereafter.

Table 3: Illustration of potential annual cost savings (£000) per threshold level[186]

Thresholds	£100,000	£250,000	£300,000	£500,000	£1 million
Mastercard	[✂]	[✂]	[✂]	[✂]	[✂]
Visa	[✂]	[✂]	[✂]	[✂]	[✂]

Source: Our analysis based on submissions by the schemes. Mastercard submission on Pricing Governance: New and Changed fees data 2022-2025 [✂]; Visa submission [✂].
NOTE: Figures are rounded to the nearest £10,000. The analysis is based on incremental revenue impact of fee changes, rather than the total revenue associated with the relevant fees, which is likely to overstate cost savings associated with the number of AFDRs that would fall outside the direction's scope under the different thresholds.

185 Based on Table 1, a threshold of £300,000 would have around [✂]% coverage of fee revenue for all existing fees. Therefore, even if we were to assume an extreme case where all fees below a £250,000 threshold were changed, their revenue share would still account for a very low proportion of revenues from acquirer fees.

186 Our annual savings estimates are based on the reduction in the number of AFDRs schemes are expected to produce annually (based on Table 2), multiplied by the cost of employee that would be expected to produce each AFDR. Each AFDR is assumed to require an allocation of 0.3 FTE of the relevant type of staff in Appendix 1. For simplicity, we also assume the number of annual AFDRs produced will remain the same in the first year and on an ongoing basis, as this is based on an average annual number.

1.27 Our analysis indicates that the incremental cost savings associated with applying a materiality threshold increase as the level of the threshold rises, although they remain relatively small in the context of the schemes' overall operations. However, these figures should be treated with caution and they are likely to overstate the cost savings:

- They are sensitive to the underlying assumptions and are intended only to illustrate the broad scale of potential savings. Our assumptions on the resources required per AFDR are likely to overstate cost savings.[187]
- As explained earlier in this annex, Mastercard's submissions [✂]. Visa's submissions in response to our requests for information were based on the expected incremental revenue impact of fee changes, rather than the total revenue associated with the relevant fees [✂].[188,189] As a result, there may be additional fee changes that are not captured in this data.

1.28 Notwithstanding the data limitations, the main implication of this analysis is that cost savings are likely to be relatively small for any of the lower thresholds. This is the case regardless of whether a materiality threshold is based on incremental revenue or total revenue (as savings based on total revenue are expected to be even smaller).

1.29 We note that there may be potential cost savings and efficiencies with the thresholds for ITC2 and pricing governance remedies being aligned. For example, alignment in internal reporting process would potentially reduce compliance cost for the schemes. Having the same threshold may also lower monitoring costs for the PSR.

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187 Our estimates here assume an annual cost of 0.3 FTE for each AFDR, which we consider to be a high estimate as set out in Appendix 1. In addition, we use the cost of employee for project manager as a proxy for the relevant type of staff involved as set out in appendix 1, which is also likely to be an overestimate.

188 Visa submission [✂].

189 Visa response to CP25/3, paragraphs 4.11 to 4.12.

Annex 2
Cost benefit analysis

Summary

2.1 This annex sets out our final cost-benefit analysis (CBA) of the ITC and Pricing Governance remedies. It builds upon the draft CBA we consulted on in CP25/3 in December 2025. In this final CBA, we update our analysis in light of stakeholder responses and evidence collected during and after the consultation period. The update also reflects changes made to the proposed ITC and Pricing Governance Directions we consulted upon.

2.2 Our view remains that the benefits of the ITC and Pricing Governance remedies will outweigh their costs. We consider this to be the case both for each remedy individually and, by implication, for the remedies taken together. We have not identified any material unintended consequences, and we consider the impact on growth is likely to be positive or, at worst, neutral.

Introduction

2.3 This annex sets out our final assessment of the potential scale of costs and benefits of the ITC and Pricing Governance remedies. For an assessment of the remedy options that we considered but ultimately chose not to pursue, see Chapter 3 of CP25/1 and Annex 1 of CP25/3. For a discussion of the options considered for a materiality threshold, see Annex 1.

2.4 This annex is structured as follows:

- Problem, rationale for intervention and expected policy outcomes
- Our approach to assessing costs and benefits
- Our assessment of costs and benefits

2.5 We set out the assumptions underlying our cost estimates in Appendix 1.

Problem, rationale for intervention and expected policy outcomes

The market

2.6 Cards play a significant role in the UK payments market as the most popular method to make retail payments. The UK cards market is highly concentrated. In our market review we found that Mastercard and Visa together accounted for over 95% of all UK debit and credit card payments by value in 2021.[190]

190 MR22/1.10, paragraph 3.1.

2.7 In our final report we identified concerns that affected the acquiring side of the market, i.e. card acquirers and merchants.[191] The acquiring side of the cards market is significant in size and value, and any harms there can have wider consequences. The following illustrates the size of the UK card market affected by the concerns identified:

- In 2023, total transaction value was £[✁], and transaction volume was [✁].[192]
- In 2023, total gross fees from acquirers were around £[✁]. There were approximately [✁] acquirers for Visa and [✁] acquirers for Mastercard, of which the vast majority are clients for both schemes, and annual gross fees per acquirer, on average, was approximately £[✁] for Visa and £[✁] for Mastercard.[193]
- Acquirers provide payment services to merchants, who pay a merchant service charge. Cards are the most used payment method in the UK, where the retail sector comprised nearly 305,000 businesses as of January 2025, accounting for 4.4% of the UK's total economic output (£114.7 billion).[194] At the start of 2025 the number of private sector businesses in the UK was 5.7 million, of which we estimate that around 5 million are in sectors that include merchant enterprises that are likely to accept card payments.[195]
- While we recognise that not all businesses accept card payments, we expect a high proportion of card acceptance. In 2024, 64% of all payments in the UK were made using cards, indicating that card usage is widespread. Evidence also points to continued growth in card acceptance among businesses, including smaller firms.[196] According to evidence gathered from Visa, it estimated the number of UK-based merchants which accepted the scheme's branded cards in 2021 to be around [✁], noting some caveats around this estimate.[197] According to evidence gathered from Mastercard, they estimated the number of UK-based acceptance locations for its branded cards in 2021 to be around [✁] (noting that the number of merchants this corresponds to cannot reliably be estimated from the data).[198]

191 Scheme and processing fees flow from merchants to card schemes via acquirers, who provide services to accept and process card payments on behalf of a merchant.

192 MR22/1.10, Annex 6, paragraph 6.16.

193 MR22/1.10, Annex 6, paragraph 6.20b.

194 House of Commons Library, *Research Briefing: Retail sector in the UK* (19 December 2025).

195 Department for Business and Trade, *Business population estimates for the UK and regions 2025: statistical release* (2 October 2025). We have identified 14 sector groups that include merchant enterprises that are likely to accept payment from consumers for goods or services based on the data in Table 5 of the detailed tables: 'Number of businesses in the private sector and their associated employment and turnover''. These are B / D / E: Utilities and Water Services; F: Construction; G: Wholesale and Retail Trade; H: Transportation and Storage; I: Accommodation and Food Service Activities; K: Financial & Insurance Activities; L: Real Estate Activities; M: Professional, Scientific and Technical Activities; N: Administrative and Support Service Activities; O: Public Administration and Defence; P: Education; Q: Human Health and Social Work Activities; R: Arts, Entertainment and Recreation and S: Other Service Activities.

196 UK Finance, *UK Payment Markets 2025 Summary* (September 2025).

197 Visa response to Section 81 request, [✁].

198 Mastercard response to Section 81 request [✁]. Mastercard submitted that their estimate is based on unique merchant location ID numbers, which will produce an overestimate due to single merchants having multiple outlets, or one merchant may appear across multiple industries. For these reasons their estimates are likely an overestimate.

Problem and rationale

2.8 The aim of our remedies is to address concerns identified in our market review into card scheme and processing fees,[199,200] namely the following:

- **Imperfect information** provided by the schemes to acquirers (and ultimately merchants) on their fees and services. This can lead to higher than necessary costs (in particular the staff time spent trying to understand fees) on the acquiring side of the market. It can also lead to inefficient pricing by acquirers and inefficient choices by acquirers and merchants.
- **A lack of effective competitive constraints** faced by Mastercard and Visa on the acquiring side, which can lead to poor pricing outcomes for acquirers and merchants. This lack of competition stems from the 'must-take' status that the schemes' cards enjoy among merchants and that exists due to the strong network externalities in the market. These network externalities, in and of themselves, create barriers to entry for potential rival payment schemes.[201]
- **A regulatory information gap**, which limits our ability to design and evaluate regulatory interventions that would address – or mitigate the effects of – the market failures identified. In particular, the PSR has been unable to obtain, as part of our analysis in the final report, a sufficiently clear picture of the schemes' pricing practices to inform regulation.[202]

2.9 As explained in our final report, we are concerned with how the market operates and the overall market outcomes for service end users, i.e. merchants and consumers. We identified features of the market that were not working well from the perspective of UK acquirers, merchants or their customers and these features would likely result in harm. For example, the level and quality of information available to acquirers and merchants who use, or may use, the schemes' core and optional services was insufficient to enable acquirers and merchants to use certain core and optional services in a way that best reflects their needs and promotes their interests.[203] In our market review and engagement with the schemes, we found that current schemes' initiatives, for example on increased transparency as well as pricing governance, are still insufficient to meet our concerns, as explained in Chapters 2 and 3.[204] We therefore believe there exists a strong rationale for regulatory intervention.

Expected policy outcomes

2.10 Figure 4 summarises how the remedies address or, indirectly, mitigate problems identified in the final report, and the benefits we expect the remedies to bring. We set out further below for each remedy the detailed causal chain, with the behavioural assumptions that need to be true for the benefits to occur in practice.

199 Details on the analysis and evidence underlying these concerns can be found in the final report (MR22/1.10).

200 Details on how each remedy aims to address or mitigate the outcomes of these concerns are set out in the next section (Expected policy outcomes).

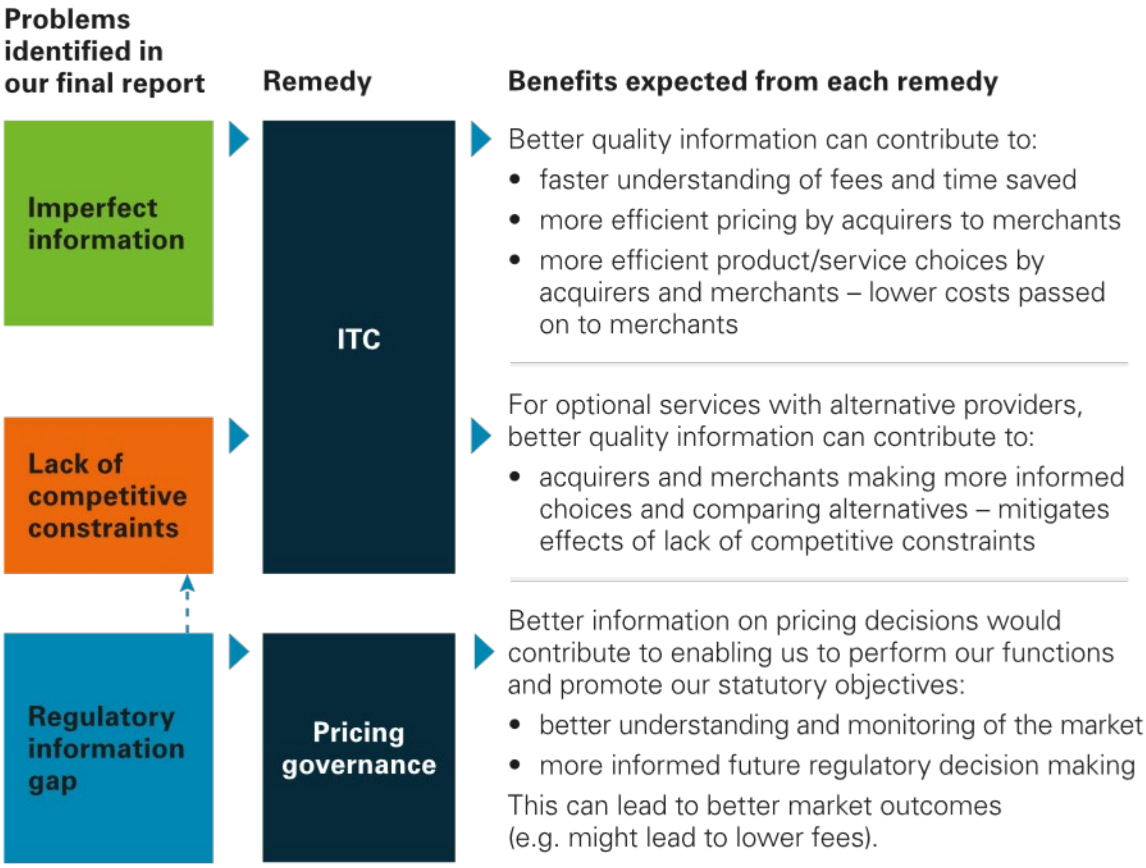
201 MR22/1.10, paragraph 1.10.

202 MR22/1.10, paragraph 1.11.

203 MR22/1.10, paragraph 8.15.

204 While we do not consider these improvements to be sufficient to address the findings and detriment identified in the final report, they have informed our updated remedy design.

Figure 4: Links between problems identified in the final report, remedies, and expected benefits



Dotted arrow indicates that addressing a regulatory information gap on pricing decisions may indirectly mitigate the impact of lack of competitive constraints.

Our approach to assessing costs and benefits

2.11 Our CBA covers the following impacts of our remedies: benefits, compliance costs and other impacts (costs to the PSR, impact on economic growth and other unintended consequences).

2.12 We focus our analysis on whether the benefits are likely to outweigh the costs, rather than seeking to have a precise quantification of costs and benefits.[205] We use a mix of quantitative and qualitative evidence. Taking this evidence together, we consider that our cost-benefit analysis is robust and our approach is sufficient to inform our views on the proportionality of the remedies.

205 PS25/1, *Statement of policy on our cost benefit analysis framework* (January 2025), page 14, paragraph 3.11: 'Our CBA framework acknowledges that quantification or precise monetisation may not always be feasible or desirable. CBAs that rely solely on monetised figures fail to take account of "immeasurable" or "hard to measure" impacts that can still be significant and important. For this reason, out approach to monetising net benefits takes account of the purpose of the analysis and does not over-refine monetary estimates.'

2.13 As explained below, the main changes in this CBA compared to the draft CBA we consulted upon are the following:

- We updated the appraisal period, so it aligns with the appraisal period used for our other scheme and processing fees remedy (see CP26/1) and those typically used in the public sector.
- We expanded on our assessment of benefits and included a break-even analysis to address comments from stakeholders on our approach to assessing benefits.
- We updated our assumptions to cost estimates after considering stakeholder responses and additional evidence gathered.

Appraisal period

2.14 We assess the impact of our remedies from the publication of the final direction. We assume that the benefits and costs will persist for at least 10 years relative to the counterfactual. This is a change from our previous position in our draft CBA, published in the CP25/3 consultation. We believe this appraisal period is appropriate for the reasons set out below. Moreover, it aligns with the other scheme and processing fees remedy we recently consulted on, RFR, and it is in line with the Green Book guidance on appraisal for policy projects of this type.[206]

2.15 Given the dynamic nature of the market, there are uncertainties around the period over which we expect the benefits of our remedies will continue to materialise. Notwithstanding this, our assessment justifies the use of a 10-year appraisal period:

- For the Pricing Governance remedy, benefits are unlikely to fully materialise immediately as it might take some time for a body of evidence to form (depending on the frequency of fee changes). However, we expect better information on pricing decisions to continue to be key for us to perform our functions beyond a five-year horizon. This means that a five-year appraisal period (as for the remedy consulted on in CP26/1) would underestimate benefits.
- The ITC remedy will produce ongoing benefits to acquirers (and merchants) by addressing an issue that has existed for some time. We recognise that there may be developments in the market over the next ten years, but we do not expect changes occurring between five and ten years to have a significant impact for this remedy. Again, a five-year appraisal period (as for the remedy consulted on in CP26/1) would underestimate benefits relative to the one-off costs linked to the necessary systems and IT changes.

2.16 Therefore, we estimate costs and benefits over a 10-year period, in line with the Green Book's standard assumption for policy appraisal (see paragraph 6.11). See our views on the impact of Open Banking under the counterfactual.

206 HM Treasury, *The Green Book – UK Government Guidance on Appraisal* (2026), page 33, paragraph 6.11.

Approach on benefits

2.17 In response to our consultation, Mastercard noted that we did not quantify the value of the benefits we expect from our remedies and argued that without quantification 'the PSR cannot meet its own aim of establishing whether the benefits associated with a proposed intervention outweigh its implementation costs'.[207] Visa expressed concern that we had not quantified the value of the benefits we expect from our remedies. Visa said that we rely on 'unqualified and largely qualitative assertions'. Visa argued that 'the absence of quantified benefits … and the reliance on an overly simplistic cost model, mean that the CBA does not meet the standards required of it. As a result, the draft directions … are neither targeted nor proportionate, and would impose burdens that are unjustified in light of the limited and uncertain benefits identified'.[208]

2.18 Having considered stakeholder responses, we remain of the view that we can produce a robust cost-benefit assessment without quantifying benefits. Similar to our view in CP25/3, we consider that quantifying the benefits of our remedies would likely be subject to significant uncertainties and seeking a precise quantification is unlikely to be possible or reasonably practicable. We take different approaches between remedies for the following reasons:

- The ITC remedy generates benefits more directly for acquirers and merchants and we give an indication of the likely order of magnitude of some aspects of the benefits. To address comments from the schemes, we also present a break-even analysis, to identify the minimum benefit required for the remedy to be net beneficial.
- For the Pricing Governance remedy, the benefits arise from providing us with better information on pricing decisions, thereby improving our ability to perform our functions and promote our objectives. These benefits do not easily lend themselves to quantitative assessment and we have therefore not attempted to quantify them. To address comments from the schemes, we expanded on our assessment including an indication of the scale of the minimum benefit required for the remedy to be net beneficial.[209]

207 Mastercard response to CP25/3, page 11.

208 Visa response to CP25/3, paragraph 2.2 and Annex 1, paragraphs 1.8 to 1.11.

209 As set out in paragraph 2.94, while we could use a real options approach to quantify some aspects of the future benefits of the Pricing Governance remedy (as we have done for the RFR remedy in CP26/1), we consider that our assessment is sufficient given the relatively low cost of this remedy and its expected benefits.

2.19 This approach is consistent with the PSR and FCA's statements of policy, as well as HM Treasury's Green Book. They make clear that a CBA does not need to fully quantify or monetise all benefits to be considered robust. Instead, these frameworks emphasise proportionate, evidence-based analysis, including the use of qualitative assessment and judgement where quantification is not possible.[210,211,212] The approach is also consistent with examples of CBAs from both the PSR and the FCA that do not explicitly quantify benefits, but still provide clear analysis to inform decision-making.[213]

2.20 Mastercard also argued that the overall size of retail card payments is largely irrelevant to the likely benefits of the remedies, given that scheme and processing fees make up only a small share of merchants' overall costs. [214] In response, we have assessed the scale of benefits needed for the remedies to break even in more targeted terms: both in absolute amounts and as a share of the revenues collected by schemes from acquirers. We consider that this provides a more appropriate basis for comparing the likely benefits and costs of the remedies.

2.21 For the purpose of our analysis of benefits, we focus on benefits to acquirers and merchants, while noting that some of those benefits may be passed on to end consumers through lower prices. The extent to which benefits are passed on to end consumers does not affect our findings on the scale of benefits, as our ultimate aim is to improve market outcomes for service end users (i.e. merchants and end consumers).

2.22 Overall, we consider that our approach on benefits follows good practice in CBA and demonstrates that the benefits of the remedies are likely to outweigh their costs.

Approach on costs

2.23 In CP25/3, we provided a range of cost estimates based on diverse sources of evidence, our engagement with the schemes and our own judgement. We explained that the aim of the analysis of the compliance costs is to understand the nature and drivers of these costs and estimate their likely order of magnitude. We included a range due to uncertainties as a result of data limitations, and as costs can vary depending on a range of factors, including the schemes' pre-implementation actions.

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210 PS25/1 adopts an explicitly effects-based and proportionate approach. It explains that CBAs are used to assess 'likely economic impacts' and, critically, that they 'do not, on their own, provide justification' for regulatory decisions. The PSR further states that its analysis focuses on the 'direction and scale of the difference between benefits and costs', rather than requiring complete quantification of those impacts.

211 FCA, *Statement of Policy on Cost Benefit Analyses* (July 2024) recognises that CBA is one input into decision making rather than a mechanistic test, noting that estimating impacts is 'one critical input' rather than a determinative exercise. This reflects the FCA's broader position that the value of CBA lies in the discipline and transparency it brings to policymaking, rather than in the precision of quantified outputs. The FCA's methodology also explicitly accommodates uncertainty, assumptions, and data limitations, which necessarily implies that not all benefits can be robustly monetised in practice.

212 The Green Book explicitly recognises that appraisal should capture a wide range of social costs and benefits, including those that are not readily monetised. Subsequent commentary on its application highlights the need to ensure appropriate weight is given to 'non-monetisable benefits and costs which cannot be included in a [benefit-cost ratio]', reinforcing that monetisation is not a prerequisite for robust analysis. Recent updates and reforms further emphasise the importance of capturing 'non-monetised gains', particularly in complex or long-term policy contexts. See HM Treasury, *Green Book Review 2025: Findings and actions* (11 June 2025); House of Lords Library, *In Focus – Government's 'green book': Review and reforms* (17 June 2025).

213 See PS23/4, *APP scams reimbursement policy statement* (December 2023); FCA, PS22/9, *A new Consumer Duty* (July 2022).

214 Mastercard response to CP25/3, page 11.

2.24 The main stakeholder comments on our approach to cost can be summarised as follows:

- Mastercard disagreed with our approach of providing a lower estimate from a standardised cost model and a higher estimate based on our engagement with the schemes, and describing these as the lower and higher ends of a range, as [✁].[215]
- Visa disagreed with the use of the FCA's standardised cost model entirely and said that 'a bespoke, tailored, and comprehensive assessment of costs is required to suitably assess the merits of introducing the proposed remedies'.[216]
- Visa stated that our cost estimates significantly understated the likely costs of compliance and submitted its own estimates for implementation and compliance costs for the ITC remedy.[217]

2.25 Having considered stakeholder responses and received further submissions on cost estimates from both schemes, we provide cost estimates based on our engagement with both schemes and their submissions on compliance costs. The schemes' submissions, our views and the final assumptions underlying our cost estimates are set out in Appendix 1.

2.26 As set out in Appendix 1, we consider that the schemes' cost estimates may be overstated. Notwithstanding this, we use their estimates in this CBA, and we also include estimates for potential additional cost items for which they did not provide quantification. This is to show that even under these assumptions, the remedy would still be proportionate. While we no longer report a range, we carry out sensitivity analysis to show how the cost-benefit balance is likely to change with different costs.

2.27 We note the concerns from the schemes that come from our use of the standardised cost model. However, as set out in CP26/1, we used the FCA Statement of Policy as a starting point for developing our own cost model for the remedies. It is only one of the sources of evidence that we considered to inform our estimates of the resources required to comply with the Pricing Governance and ITC remedies. We include further cost items that we consider to be relevant to the remedies, such as the costs of engagement with acquirers. We have also deviated from some of the assumptions in the FCA standardised cost model as described in their Statement of Policy, where we consider this is appropriate based on the evidence or arguments we have seen. In the limited instances where we continue to rely on assumptions set out in the FCA Statement of Policy, this is because the schemes did not provide alternative assumptions.

Counterfactual

2.28 We assess the costs and benefits of our remedies compared to a 'do-nothing' counterfactual where the PSR takes no action. Under this scenario:

- the schemes will continue to have the ability to increase prices
- scheme and processing fees remain complex such that the information that acquirers (and ultimately merchants) receive can be insufficient to understand the fees they are charged
- the PSR does not get the appropriate information it needs on the schemes' pricing decisions to effectively discharge its functions

215 Mastercard response to CP25/3, page 12.

216 Visa response to CP25/3, Annex 1, paragraphs 1.30 to 1.34.

217 Visa response to CP25/3, paragraph 2.2 and Visa response to [✁]. For more details, see Appendix 1.

2.29 As set out in CP25/3, in response to our proposals in CP25/1, Mastercard submitted that the counterfactual should take into account any changes which might occur independently of the policy interventions, or key factors within the market that are expected to change over the relevant period.[218] Mastercard cited interventions, such as those in relation to open banking and the 2023 JROC report which states that open banking will become a viable competitor to cards within the following 18 to 36 months. Further, Mastercard submitted that the counterfactual should also take account of its own improvements to the information and transparency it provides to its customers.[219]

2.30 In response to CP25/3, Mastercard raised concerns with the counterfactual scenario used in the CBA and argued that the remedies were not justified by the evidence presented. Regarding open banking, Mastercard submitted that we '[underestimate] the extent to which the threat of potential entry and expansion operates as an effective competitive constraint today'.[220] It also suggested that this was 'inconsistent with evidence from stakeholders that viable competition with card schemes could emerge within a few years'.[221] Visa said that our definition of the benefits did not consider the recent enhancements it had already made to address transparency concerns, noting that: (i) our approach to ignore recent enhancements implemented by Visa fundamentally misrepresented the relevant counterfactual; and (ii) our assumption that there is a proportional relationship between the benefits and costs of implementing the remedies, such that the recent enhancements can be ignored regardless of whether or not they have had a positive impact, was flawed and too simplistic.[222]

2.31 We agree that a 'do nothing' counterfactual should include other regulatory and sectoral developments that are happening independently of the remedies considered here. The conclusions reached in our final report already account for the potential competitive impact that the introduction of Open Banking is likely to have on the schemes. While Open Banking will eventually facilitate the development of alternative payment methods that compete with the schemes, there is still uncertainty as to the strength of (actual and potential) competition that will arise over the appraisal period. In this respect, we remain of the view that it will likely take time for substantial competitive constraints on the schemes to emerge.[223,224]

2.32 In our view, the improvements made by the schemes to the information they provide to acquirers do not provide a justification to deviate from the 'do nothing' counterfactual. We recognise Visa's comment that they have made some efforts to promote transparency and the benefits would be lower, but in that case we would also expect the costs to be commensurately lower if there are already sunk costs associated with this activity. To the extent one or both schemes may potentially already be undertaking – or planning to undertake – part of any requirements under our updated remedy design, we do not consider this to affect our proportionality findings. While this may reduce the potential benefits, it will also reduce the incremental compliance costs of the remedies.

218 Mastercard response to CP25/1, pages 43 and 44.

219 Mastercard response to CP25/1, page 5.

220 Mastercard response to CP25/3, page 1.

221 Mastercard response to CP25/3, page 1.

222 Visa response to CP25/3, Annex 1, paragraphs 1.18 to 1.26 and subheading above paragraph 1.18.

223 MR22/1.10, paragraph 4.85.

224 FCA, *Research Note: Open Banking and Open Finance in the UK* (October 2025) corroborates our statements, highlighting that 'Despite progress, several interconnected challenges continue to hinder open banking from becoming a fully thriving ecosystem'.

Summary of our assessment of costs and benefits

2.33 The impacts of the remedies are summarised in Table 4 below. As explained in this annex and in Appendix 1, our cost estimates may overstate compliance costs.

Table 4: Summary of benefits and costs (across both schemes)

		Costs (£000) (both schemes)		
Group affected	**Item**	**One-off**	**Ongoing (per year)**	**Benefits**
Schemes (costs)	Familiarisation and gap analysis & compliance set-up	£155	£0	
Schemes (costs)	ITC	[✂]	[✂]	
Acquirers (costs)	ITC	Potential unquantified cost[225]		Cost savings and more efficient pricing by acquirers.
Acquirers and merchants (benefits)	ITC			More efficient choices by acquirers and merchants.
Schemes (costs)	Pricing Governance	£2,200	£1,100	More informed decisions.
PSR/FCA, acquirers and merchants (benefits)	Pricing Governance			Ensures consideration of user interests.
Total		**£[✂]**	**£[✂]**	Unquantified
Total Present Value (10 years)[226]		**£[✂]**		
EANDCB[227]		**£[✂]**		

Source: PSR estimates based on the assumptions in Appendix 1.
NOTE: Any discrepancy in total is due to rounding. All estimates below £1 million are rounded to the nearest £5,000 and estimates above £1 million are rounded to the nearest £100,000.

225 Some acquirers may incur additional costs to use the information provided to them by the schemes as part of the ITC remedy. As set out under our assessment of the costs of the ITC remedy, we expect that acquirers will only choose to incur such costs if they expect them to be offset by benefits (e.g. cost savings) that would arise to them due to the ITC remedy.

226 Present value of total estimated cost was calculated over a 10-year appraisal period using standard discounting assumptions of 3.5%. We assume that all one-off costs are incurred in the first year and ongoing costs every year thereafter.

227 EANDCB was calculated by annualising one-off costs over a 10-year appraisal period using standard discounting assumptions of 3.5%.

2.34 Each year we expect the ITC remedy:

- to save unnecessary costs to acquirers by reducing their time spent in understanding fees. Our final report findings highlight that acquirers incur substantial costs in understanding fees, and we provide examples for illustration later under the benefit assessment section.[228]
- to enable more efficient pricing and better choices in downstream markets (by acquirers and/or merchants). We note the significant revenues associated with optional and behavioural fees, and the potential for customers to reduce their costs through a better understanding of these. (For example, in the final report, we estimated total acquirer gross revenues earned from optional services to be c.£[✁] million, which could be reduced due to this remedy).[229]

2.35 Taking account of all impacts, we expect the benefits of the ITC remedy to outweigh compliance costs. This is further supported by the break-even analysis presented later (see ITC break-even analysis).

2.36 Similarly, taking all impacts into account, we consider that the benefits of the Pricing Governance remedy are also likely to outweigh the compliance costs:

- In the market review, the PSR investigated whether the supply of scheme and processing services was working well for service users, and, in particular, to investigate the drivers of significant fee increases observed in recent years. In light of our findings in the final report, and to address the regulatory information gap identified therein, at a minimum, we consider this information to be essential for the PSR to perform its functions and promote its statutory objectives effectively.
- This information may also provide the PSR with greater certainty on the need, or otherwise, for any future actions in these markets.

2.37 Given the overall size of the acquirer fees revenues and the price rises observed,[230] we consider that the benefit of the PSR being better able to perform its functions and promote its statutory objectives in relation to these services outweighs the costs of this intervention.

2.38 Most of the compliance costs will be incurred by the two schemes. Where possible, we have designed the remedies to allow for some flexibility in implementation, which would enable some cost efficiencies for the schemes. Given the lack of competitive constraints that the schemes face, it is also possible that some of these costs may be passed on to acquirers.

2.39 In reaching these views, we have taken into account the need for the ITC and the Pricing Governance remedies to be capable of achieving their intended purposes (set out above and in the CBA), and to be capable of effective implementation, monitoring and enforcement. We did not identify any material unintended consequences, and the impact on growth is likely to be positive, or at worst, neutral.

228 MR22/1.10, Chapter 7 and Annex 12.

229 MR22/1.10, Annex 6. The estimate was based on the data underlying Figures 21 and 24.

230 MR22/1.10, paragraph 6.47.

2.40 Our detailed assessment below covers in turn:

- ITC remedy – expected outcomes, benefits and compliance costs
- Pricing Governance remedy – expected outcomes, benefits and compliance costs
- Other costs to the schemes (e.g. familiarisation and gap analysis)
- Costs to the PSR
- Impact on growth and unintended consequences.

ITC

Remedy

2.41 Each scheme will be required to provide acquirers with clear and accurate information that enables them to understand scheme and processing fees charged to acquirers, and to act on relevant pricing information, including by avoiding unwanted optional services or adapting their behaviour in response to behavioural fees.

2.42 Where appropriate, we have designed certain aspects of our ITC remedy to give the schemes the flexibility to choose how to implement them in a cost-efficient way that achieves the aim of our remedy, provided that certain requirements are fulfilled. The ITC Direction includes a materiality threshold provision for mandatory and optional fees under the ITC2 component that are expected to generate less than £250,000 of gross revenue per year. We increased the threshold from the proposed £100,000 of net revenue we consulted on in CP25/3, for the reasons set out in Chapter 2.

2.43 For more details on the remedy see the ITC Direction and Chapter 2. We made changes to the final remedy design in response to stakeholder comments that aim to reduce compliance costs while still achieving the aim of our remedy.

Summary of stakeholder responses to CP25/3

2.44 We received mixed views in response to our assessment of the benefits of the ITC remedy that we consulted on in CP25/3:

- Both schemes raised concerns that the benefits described of the ITC remedy seemed to have limited supporting evidence submitted and had concerns around the quality of the evidence.[231] Mastercard said that '[PSR] claim acquirers will benefit from both a less costly process of understanding fees while also improving their ability to make informed decisions. However, these benefits will necessarily be mutually exclusive'.[232]

231 Mastercard argued that the benefits seem to have limited supporting evidence submitted and that, in its view, the submitted evidence is not clear whether these fees were in relation to the issuing or acquiring activities of the respondent, whether they are unique to the respondent, or which scheme's services they relate to. (Mastercard response to CP25/3, page 11). Visa argued that the benefits relied on limited anecdotal evidence submitted by only one respondent with no proper contextualisation of the facts surrounding it, and are based on speculative extrapolation that does not produce reasonable or reliable results. (Visa response to CP25/3, Annex 1, paragraphs 1.12 to 1.14 and subheading above Annex 1, paragraph 1.12).

232 Mastercard response to CP25/3, page 11.

- A trade body representing merchants suggested that the benefits of the ITC remedy (or the current operational burden) to acquirers/merchants may have been understated.[233]
- An EMI said that the PSR's cost estimates may understate the operational burden currently borne by acquirers, PSPs and merchants.[234]

2.45 We have also received mixed views on our estimated range of compliance costs incurred by the schemes. Mastercard argued that the upper bound estimates presented in CP25/3 should be used as central estimates.[235] Visa argued that our estimation 'fails to appreciate the true scale of costs that Visa would have to incur to comply' (i.e. those that would be incurred due to required system changes, and the governance and compliance work implied by a low materiality threshold and transaction-level data requirements), adding that transaction-level data cannot be practically implemented, and the costs associated with providing transaction-level data would be disproportionate when considering the benefits.[236] On the other hand, a trade body representing merchants argued that the '[PSR's] cost estimates may overstate incremental scheme costs while understating the long-term benefits to merchants'.[237]

2.46 The following subsections provide our updated assessment of the benefits and compliance costs for the ITC remedy in light of stakeholder responses. We note that submissions in response to CP25/3 were broadly qualitative with limited evidence or analysis to support the views presented. In what follows, we provide more details on stakeholder responses and how we have addressed them, where relevant.

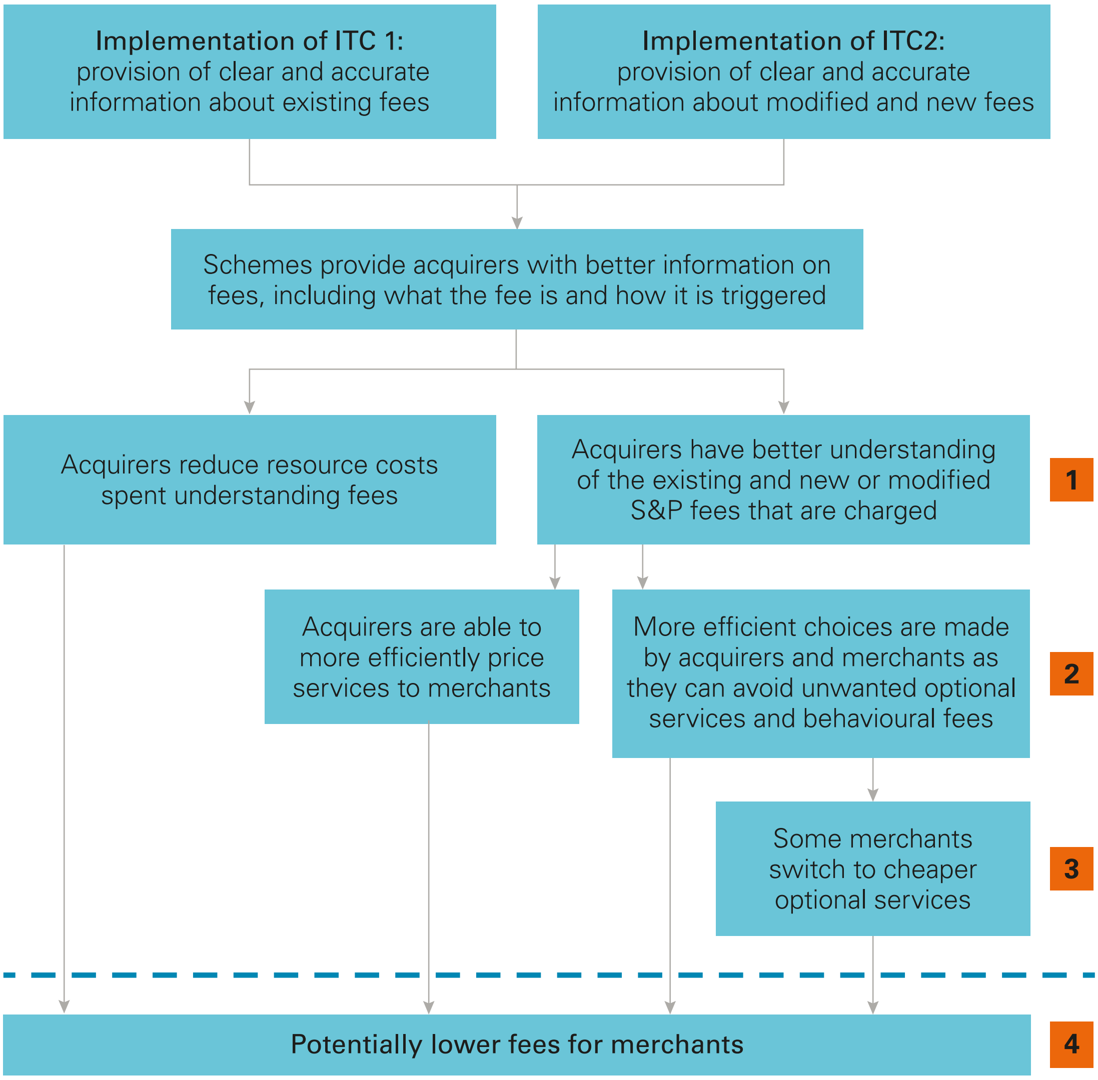
Expected outcomes

2.47 This remedy directly, and primarily, addresses our finding that the schemes fail to provide sufficiently clear and detailed information for acquirers (and ultimately, their merchants) about their fees, leading to poor outcomes.[238] It may also indirectly mitigate some of the effects of the lack of competitive constraints faced by the schemes for optional services (where alternative suppliers are available).

2.48 Figure 5 below shows the causal chain for the ITC remedy, setting out how the remedy can lead to the desired outcomes, and what assumptions are necessary for this to happen.

233 Stakeholder responses to CP25/3 [✂].
234 Stakeholder response to CP25/3 [✂].
235 Mastercard response to CP25/3, page 12. [✂].
236 Visa response to CP25/3, paragraph 3.25 and Annex 1, paragraphs 1.22 and 1.51.
237 Stakeholder response to CP25/3 [✂].
238 MR22/1.10, paragraphs 1.13 and 1.14; CP25/3, paragraphs 1.1 and 2.5.

Figure 5: ITC causal chain



	Assumptions
1	Acquirers get improved fee information from the schemes in an accessible manner.
2	Acquirers likely pass on the improved information to merchants.
3	Where cheaper optional services are available, merchants can decide whether it's beneficial to use them.
4	Acquirers pass on some (or all in the case of IC++ contracts) cost savings to merchants.

2.49 A key assumption underlying our causal chain is that acquirers will get better information from the schemes and in an easily accessible and workable format. As set out in Chapter 2 and in this annex, the remedy is designed to result in better information to acquirers and in turn merchants.

2.50 As shown in Figure 5, we expect the ITC remedy to bring important benefits through better market outcomes for merchants (and consumers), as follows.

2.51 First, better and more accessible information through our ITC remedy may help **save unnecessary costs to acquirers** due to faster understanding of fees**.** This is based on our assumption that the remedy will reduce acquirers' time spent understanding fees, for example, to reconcile charges to transactions, prepare for new and modified fees, and ease the difficulty experienced accessing information on the schemes' portals. In our market review, we noted that acquirers accounting for around 45% of the acquiring market experience difficulties accessing information through the schemes' portals, with severe financial and non-financial impact reported by at least some of the affected acquirers.[239]

2.52 Second, we expect that better information may lead to better market outcomes for service users due to:

- **More efficient pricing by acquirers**: Our requirements on ITC1 and ITC2 enable acquirers to more accurately bill merchants for the services they consume. Acquirers accounting for over 65% of the acquiring market told us that the information the schemes provide leaves them struggling to understand both mandatory and optional scheme and processing fees.[240] These issues lead to increased acquirer costs and further errors, such as misbilling merchants. Although the severity of impact varies across acquirers, some reported substantial impact.[241] If their bills to merchants are based on more accurate information, this will lead to more efficient pricing by acquirers. For example, in the absence of a good forecast for all scheme and processing fees invoiced by the schemes, the acquirers may set the prices for merchants on blended contracts too high or too low.[242] Similarly, if acquirers cannot identify which merchants triggered the behavioural fees that they are charged for by the schemes, they cannot allocate them to the right merchants.
- **More efficient choices by acquirers and merchants**: Our requirements on ITC1 and ITC2 enable acquirers and merchants to more easily avoid unwanted optional services and avoidable behavioural fees. Acquirers accounting for over 90% of the acquiring market consider that the quality of information acquirers receive from the schemes is often insufficient for them to understand behavioural fees (which in turn impacts the quality of the information that merchants receive).[243] As set out in Chapter 2, the improved information provided by the schemes under our remedy should enable acquirers to choose more effectively which optional services they (and by extension their merchant customers) purchase and avoid incurring behavioural fees.

2.53 We do not agree with Mastercard that the benefits from saving unnecessary costs and making more informed decisions are mutually exclusive. The remedy would improve the quality and transparency of the information provided, which would both improve the information acquirers receive (and related decisions) and support more effective reconciliation (leading to reduced costs).

239 MR22/1.10, paragraph 7.108.
240 MR22/1.10, paragraph 7.79.
241 MR22/1.10, paragraphs 7.80 and 7.81.
242 MR22/1.10, paragraph 7.56.
243 MR22/1.10, paragraph 7.59.

2.54 While this remedy directly addresses imperfect information, it also potentially mitigates the effects of a lack of competitive constraints on the acquiring side, although to a limited extent. For optional services where alternatives to Visa and Mastercard do exist, the remedy ensures that acquirers and merchants have a better understanding of how the schemes' products compare with these potential alternatives. For example, in our final report, we found evidence that Mastercard faces competition from several providers for its Brighterion artificial intelligence solution.[244] With more accurate billing information, acquirers can decide whether to purchase optional services from alternative providers (where available) or decide not to purchase some optional services at all.[245] There are benefits from the mitigation of the lack of competitive constraints, for example through acquirers making more suitable choices and thus saving costs, or through more innovative products and services being introduced into the market.

2.55 We expect costs saved by acquirers will benefit merchants through lower fees:

- We expect a significant proportion of cost savings to be fully passed on to merchants automatically. This is because large merchants on Interchange ++ (IC++) pricing contracts (which are used for merchants accounting for 77% of the value of all transactions[246]) will benefit directly, given the contract design. On these contracts, for any given transaction, the acquirer automatically passes on the interchange fee and scheme and processing fees applicable to the transaction 'at cost' (plus a margin for the acquirer).[247]
- For merchants on standard (blended) contracts (accounting for 23% of transactions but also 95% of merchants)[248] we expect at least some of these benefits will be passed through over time.[249] In the final report of our market review of UK-EEA cross-border interchange fees, we found that around three-quarters of merchants on blended contracts experienced pass-through for previous interchange fee changes.[250] This may give some indication of the level of pass-through we can expect in the case of acquirers where costs are lowered in respect of scheme and processing fees.

2.56 We are aware that there is mixed evidence on the effectiveness of informational remedies. For example, Ofcom's ex-post evaluation of its end-of-contract notifications for mobile services found mixed evidence as to their effectiveness on rates of switching and re-contracting.[251] However, we note that information remedies of that nature are often targeted at uninformed and potentially disengaged consumers with the objective of promoting switching and competition. We recognise that some acquirers are sophisticated institutions but consider all acquirers should be able to understand fees (and explain them to their merchants) whether they are new entrants or established firms with large resources. Our ITC remedy is also not aimed at encouraging switching as there is little prospect of acquirers and merchants being able to switch away from the schemes.

244 MR22/1.10, Annex 4, paragraph 4.22.

245 As set out earlier, there are varying degrees of constraints across optional services.

246 MR18/1.8, *Market review into the supply of card-acquiring services: Final Report* (November 2021), Chapter 5.

247 IC++ (interchange ++) pricing is a pricing method offered by acquirers to merchants for card-acquiring services, Merchants on IC++ pricing are typically the largest merchants, generally with an annual turnover above £50 million. See MR18/1.8, paragraph 1.15.

248 MR18/1.8, Chapter 3.

249 MR22/1.10, paragraph 4.150.

250 MR22/2.7, *Market review of UK-EEA consumer cross-border interchange fees: Final Report* (December 2024), Chapter 6.

251 Ofcom, *An ex-post evaluation of mobile annual best tariff notifications and end-of-contract notifications* (10 May 2024).

Given this, we consider that the assumptions we have made in our causal chain are more likely to materialise and our information remedy is therefore more likely to be effective than disclosure remedies have been in other contexts.

2.57 Against this backdrop, we consider our remedy is capable of meeting its intended aim, as well as of effective implementation, monitoring and enforcement, as discussed in Chapter 2.

Benefit assessment

Evidence and analysis presented in CP25/3

2.58 As set out in CP25/3, while most non-scheme respondents indicated support for our remedies in response to our remedies consultation (CP25/1), we received limited evidence from stakeholders on the potential benefits. In addition to the evidence on benefits from the market review (see previous section on expected policy outcomes), we provided one example in CP25/3 to illustrate the potential scale of benefits from the ITC remedies.[252] A financial services firm told us that it employs a dedicated team to review invoices related to cards to try and understand the fees charged. Where it finds discrepancies, this team challenges the fees to keep costs as low as possible. It stated that this team has an operational cost of roughly £[✂] per year, but in the preceding year alone, it had found several million pounds ([✂]) in fees that were incorrectly charged by the schemes.[253]

2.59 While this example came from a firm that is not an acquirer,[254] these rebilling savings estimates are likely to be relevant, given that the respondent has many activities in payments that are similar to those carried out by acquirers. It provides acquiring related payment services for domestic and cross border transactions, including the facilitation of card payment acceptance, transaction processing, settlement and scheme compliance. Cross-border services may attract higher costs than the equivalent domestic services. Nevertheless, given that this respondent provides [✂] (similarly to an acquirer), we are of the view that it is an informative figure to illustrate the scale of potential benefits. If several comparable parties were to make savings of a similar scale, as a result of the additional information provided by the ITC remedy, then the up-front cost of the remedy would be very quickly paid off. If only a proportion of this figure related to acquiring activity (i.e. only benefitting acquirers), it is still likely that it would be higher than our estimate of the acquirer savings that would be needed for the remedy to break even (reported in paragraph 2.71 below).

2.60 We have also explained that, in our final report, we found that acquirers described various issues, such as the schemes' bulletins being complex, insufficient, and sometimes containing errors.[255] These issues can lead to increased acquirer costs and further errors, such as misbilling merchants.[256] Some acquirers also told us that they struggle to implement necessary changes to fees in the time required, because the schemes do not provide adequate information at the beginning of the implementation period, or because they change their approach midway through it.[257] Some of these acquirers indicated that this raises the costs they incur as a result of these changes. We were also given examples of acquirers over-paying for optional services they did not need, or misalignment between acquirers' and schemes' understanding of fees leading to merchants being over-billed by hundreds of thousands of pounds.[258]

252 CP25/3, Annex 2, paragraph 2.48.
253 Stakeholder response to CP25/1 [✂].
254 We note [✂].
255 MR22/1.10, Annex 12, paragraph 12.74.
256 MR22/1.10, Annex 12, paragraph 12.75.
257 MR22/1.10, Annex 12, paragraph 12.57 and Table 4.
258 MR22/1.10, Annex 12, paragraphs 12.77 to 12.81.

2.61 We said that this potentially demonstrates that, if the ITC remedy is successful, it could substantially reduce costs to acquirers (and by implication merchants) across the sector through the need for less acquirer staff time to review scheme invoices, as well as more accurate and reduced fees.

2.62 While it is not reasonably practicable to estimate the benefits for ITC remedies, we generally expect them to increase with the compliance costs, because where the marginal costs of implementing certain aspects of the remedy are higher, the potential marginal benefits of the intervention are also likely to be higher. For example, it may be the case that the schemes face higher marginal costs to provide fee information for more complex fees relative to simpler fees. However, the marginal benefits generated by providing clearer and more transparent information to acquirers for more complex fees may well be higher than is the case for simpler fees. Similarly, if the marginal benefit is lower because the schemes are already doing part of what is required under the remedy, the marginal cost to implement this will also be lower as they would need to do less to comply with our requirements.

Evidence gathered during and after the consultation process

2.63 We note the schemes' concern that our evidence on quantitative benefits was limited, and that the illustrative example on the potential scale comes from one respondent only that may not be the best representative of the wider market.

2.64 We invited stakeholders' views on the benefits of the ITC remedy as part of the evidence gathering through the consultation process (CP25/3). Six respondents supported the remedy,[259] and two respondents went further to argue that we understated the benefits of the remedy.[260]

2.65 An EMI stated that '[we] understate[d] the operational burden currently borne by acquirers, PSPs and merchants'. They submitted that they 'incur significant ongoing costs to interpret, reconcile, and operationalise scheme and processing fees', which are 'primarily driven by opacity and complexity rather than the absolute monetary value of fees'. They added that the remedy has 'the potential to offer [the following] material benefits across the payments value chain:

- Improved transparency and reconciliation: Standardised minimum disclosures could improve invoice validation, reduce billing errors, and enhance understanding of scheme cost drivers.
- Reduced operational friction: Clearer fee structures support more accurate cost allocation and merchant pricing, reducing disputes and customer inquiries.
- Greater predictability: Six-month notice periods and enhanced disclosure for behavioural fees to improve forecasting, internal governance, and merchant communications.
- Better strategic and investment decision-making: Greater transparency will enable PSPs and merchants to assess the commercial and operational impact of new or increased fees and make informed strategic choices.'[261]

259 Stakeholder responses to CP25/3 [✁].

260 Stakeholder responses to CP25/3 [✁].

261 Stakeholder response to CP25/3 [✁].

2.66 A trade body representing merchants also stated that our assessment 'may overstate incremental scheme costs while understating the long-term benefits to merchants'. They submitted that 'retailers incur significant and ongoing costs to understand scheme and processing fees', including staff costs, IT costs, external consultancy costs, and platform tool costs.[262] They said that the ITC remedy directly addresses the 'complexity and opacity that has consistently created significant operational costs'.[263]

2.67 While consultation responses support our view that benefits can be material, they did not provide evidence on the scale of such benefits. Therefore, we engaged with some stakeholders directly to gather evidence on the potential scale of some aspects of the benefits of the ITC remedy:

- An acquirer suggested that their staff spent an average of [✂] [thousands of hours] annually to align and interpret fee changes and perform reconciliation,[264] which we estimate to cost around £[✂] per year.[265] They noted that such costs could be higher for other acquirers, as other acquirers may have higher costs and employ larger teams to perform pricing and reconciliation.[266] They added that the ITC remedy could reduce the number of annual invoice corrections required and the need for services such as [✂], which could significantly reduce the time and cost associated with these activities.[267]
- Another acquirer explained that it analyses new scheme fees and penalties on a weekly basis, including through work with a third-party provider. This analysis and investigation, which takes c.5 hours per week, identified [✂] of new, changed and existing fees that were charged incorrectly [✂] and subsequently refunded by them. [✂].[268]
- Mastercard estimated the value of misbilling in 2025 for UK acquirers at €[✂], noting that this figure included both under-billing and over-billing adjustments.[269]

2.68 While this is still a limited number of submissions, they give an indication of the potential scale of some aspects of the benefits of the ITC remedy. The estimates received relate primarily to cost savings associated with misbilling and related inefficiencies. As such, they only cover some sources of potential cost savings (e.g. they do not include potential reductions in the costs of additional services purchased from the schemes to help acquirers with fee reconciliation). In addition, they do not cover other sources of benefits related to more efficient pricing and choices, which could be significant (e.g. by avoiding unwanted optional or behavioural services).

262 Stakeholder response to CP25/3 [✂].

263 Stakeholder response to CP25/3 [✂].

264 Written stakeholder response to PSR questions on the ITC remedy submitted on 22 May 2026 [✂].

265 We assume a staff cost of project team members in the 80th percentile (see Table 14 in Appendix 1), as for our scheme cost estimates.

266 PSR call with stakeholder on 14 April 2026 [✂].

267 Written stakeholder response to PSR questions on the ITC remedy submitted on 22 May 2026 [✂].

268 Stakeholder written submission on 16 June 2026 [✂] and PSR call with stakeholder on 25 March 2026 [✂].

269 Mastercard response to PSR questions on ITC, [✂], confirming value of misbilling that was later corrected through engagement with acquirers in 2025. We note that the figures provided by Mastercard 'include both under-billing and over-billing adjustments ([✂]), covering instances such as incorrect charges and delayed billing'. We consider that the total misbilling (rather that the net back-billing) is the relevant figure to indicate the potential scale of harm from misbilling, e.g. misbilling to an acquirer (even if the net impact on the acquirer is ultimately zero) can affect the acquirer ability to efficiently allocate costs to merchants.

Mastercard noted some data limitations, i.e. that 'the analysis has been completed within the time available using established data sources and methodologies and provides a reasonable and consistent representation of the underlying population', and that the scope of the analysis was limited to UK-based acquirers (irrespective of merchant location).

Break-even analysis

2.69 We have sought to assess at what level of benefits the remedy would be net positive. We recognise the uncertainty around the exact level of compliance costs and the challenges in quantifying benefits. Therefore, our break-even analysis is not meant to provide precise estimates, but rather an indication of the likely scale of benefits required for the ITC remedy to be net beneficial.

2.70 We estimated the level of benefits needed to break even over a 10-year period. Our assessment is based on the following simplifying assumptions:

- The present value of the estimated total compliance cost for the ITC remedy over ten years is around £[✂] for Visa, £[✂] for Mastercard, and £[✂] for both schemes combined.[270] This may be an overestimate because it is based on the cost estimates set out in the next section, which as explained later may be overstating compliance costs.
- We assume the remedy is effective and that the benefits to acquirers and merchants start to occur one year after the ITC Direction comes into force.

2.71 Based on these assumptions, we estimate the present value of the annual required benefit to break even (assuming a 10-year appraisal period, 3.5% discount rate, and benefits arising after 1 year) to be around £[✂]. The benefit can arise in two ways:

- Benefits to acquirers (e.g. due to cost savings and/or improved ability to identify and correct misbilling), which are passed on to merchants (at least in part). For illustration, to break even the average benefit required per acquirer – which is to be passed on to merchants – would be around £[✂].[271,272] We consider that this benefit is likely to materialise given the examples of burden put to us by acquirers.
- Merchants can also benefit directly, e.g. through a reduction in payments made by them for unwanted or unnecessary optional or behavioural services that they pay for.

270 This assumes a 3.5% discount rate.

271 For simplicity, this assumes that the benefits are evenly distributed across each schemes' acquirers, more specifically: Visa's reported [✂] acquirers and Mastercard's reported [✂] acquirers. This also assumes a hypothetical extreme scenario where no other benefits arise to merchants directly (which are covered in the second bullet of this paragraph).

272 If we were to assume that only a subset of acquirers (e.g. 50) benefit from the ITC remedy – bearing in mind that the PSR has found that the largest 14 acquirers account for around 95% of UK market activity – then the total average annual benefit per acquirer required to break even would be approximately £[✂]. We consider this to be still likely to materialise. If we were to assume that only a subset of acquirers would benefit from the remedy, they are likely to be those that spend more on reconciliation and/or face higher harm from the imperfect information (e.g. due to misbilling or overpaying for unnecessary optional or behavioural services), compared to an average acquirer.

2.72 The results of the break-even analysis are summarised in Table 5 below.

Table 5: ITC break-even analysis

	Visa	Mastercard	Total
PV of annual benefit required	£[✂]	£[✂]	£[✂]
PV of average annual benefit required per merchant (assuming benefit is spread across c.1m merchants)*	£[✂]	£[✂]	£[✂]
PV of average annual benefit required per merchant (assuming benefit is spread across c. 300k merchants)*	£[✂]	£[✂]	£[✂]
% of annual gross acquirer fee revenue**	**[✂]%**	**[✂]%**	**[✂]%**

NOTE: We assume a discount rate of 3.5%. Any discrepancy in calculations is due to rounding. Estimates above £1 million are rounded to the nearest £100,000.

* Our assumptions on the number of merchants over which we are spreading the benefits of the ITC remedy are for illustration. They are likely to be conservative in light of the available evidence presented earlier under *The Market* section.

** Assumption used Visa's annual acquirer fee revenue for 2023 which was £[✂] and Mastercard's annual acquirer fee revenue for 2023 which was £[✂].[273] Total revenue is the combined figure of £[✂].

2.73 As shown in Table 5, the level of required benefit per merchant to break even is relatively small,[274] particularly compared to the value of scheme and processing fees they pay to the schemes. For illustration, if we were to assume the required benefit is spread across 1 million merchants, this would require an average saving of only [✂] per merchant across both schemes. Even if we were to assume that the benefit is spread across a more conservative number of merchants of around 300,000 only, the average required benefit per merchant would still be relatively small, at a value of £[✂].

273 MR22/1.10, Annex 6, paragraph 6.20.

274 This covers benefits to merchants whether they are passed through from acquirers and/or direct benefits to merchants.

2.74 Given the findings in the final report, the available evidence and the targeted nature of the ITC remedy, we consider the level of required benefit to break even to be realistic. Therefore, we consider the remedy likely to be net beneficial.[275]

Assessment of costs incurred by the schemes

Evidence presented in CP25/3

2.75 We assumed that the schemes already have most of the information we require them to provide to acquirers, however they will need to put it into a format that is clear and easily accessible. Our updated remedy design following consultation gives us more confidence in this assumption. As explained in Chapter 2, Visa told us in response to CP25/3 that our proposed requirement could not be practically implemented without significant changes to Visa and acquirer internal systems and processes. For the reasons set out in Chapter 2, our final ITC Direction requires the schemes to present a fee logic (instead of a unique identifier). We expect the schemes to have the information for the fee logic, but they need to present it to acquirers in a clear and easily accessible format.

2.76 Based on the evidence we have seen from other impact assessments where similar remedies were considered, IT changes and staff time are likely to be the key drivers of the cost of this remedy.[276] Compliance costs of these types of remedies can vary significantly depending on the scope of the remedy and the schemes' existing processes and practices.

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275 We also conducted a sensitivity analysis, which shows that our findings do not change if the underlying cost assumptions are altered. First, we conducted a sensitivity analysis based on a 20% change in the cost figures used in this break-even analysis:

If the costs were to be increased by 20%, the present value of annual required benefit would be £[✂] for Visa, £[✂] for Mastercard, and £[✂] for both schemes combined. The present value of the annual benefit per merchant (assuming benefit is spread across 1m merchants) would be £[✂].

If the costs were to be reduced by 20%, the present value of annual required benefit would be £[✂] for Visa, £[✂] for Mastercard, and £[✂] for both schemes combined. The present value of the annual benefit per merchants (assuming benefit is spread across 1m merchants) would be £[✂].

We still believe this is a realistic level of expected benefit and therefore the remedy will likely be net beneficial under more extreme assumptions.

Second, as explained in Appendix 1 (paragraph 1.30), we conducted a sensitivity estimate assuming Visa's ongoing costs to be £[✂] per annum instead of £[✂]. Even with this extreme assumption the break-even analysis shows that the required benefits to break even are still relatively small, and our findings would still hold:

- if we were to assume the required benefit is spread across 1 million merchants, this would require an average saving of only £[✂] per merchant for Visa and £[✂] per merchant across both schemes.
- Even if we were to assume that the benefit is spread across around 300,000 merchants only, the average required benefit per merchant would still be relatively small, at a value of £[✂] for Visa and £[✂] across both schemes.

276 While these impact assessments provide useful evidence in regard to the key drivers of costs, they do not provide a reliable basis on which to judge the accuracy of our estimates. This is because there are other factors which differentiate our remedies from those considered in these other impact assessments.

2.77 For example, the Competition and Markets Authority (CMA) set minimum fee disclosure requirements on fiduciary managers of pension schemes after finding that there was a lack of clear information for customers to assess value for money (which is an issue our ITC remedy is also seeking to address). It found that the incremental costs of that remedy were likely to be limited as it imposes minimal additional requirements.[277] The remedy was intended to operate alongside the MiFID II (Markets in Financial Instruments Directive) regulatory requirements on firms to aggregate all costs and charges to enable customers to understand all fee costs. Therefore, firms would continue to provide aggregated information in addition to the CMA's requirement to provide disaggregated information.[278] The CMA's cost estimates from most parties indicated that there would be little or no material increase in costs from the remedy since most of the firms already complied with the requirements of MiFID II, or planned to do so in the near future. The CMA considered that, even if the remedy involved costs at the upper end of its estimates, the measures would impose limited incremental potential costs on providers.

2.78 To address a similar concern with imperfect information, in 2019 Ofcom imposed regulations for broadband, mobile, home phone, and pay TV suppliers to provide end-of-contract notifications and best tariff information to customers when their contracts were coming to an end. While Ofcom did not produce a quantitative impact assessment, it identified the main cost drivers of its remedy. In terms of one-off implementation costs, it identified changes to IT systems as being a key driver. This includes costs associated with introducing the functionality needed to prepare and provide users with the required information, integrating these functions with existing systems, staff training and potential system development costs to link different IT systems (e.g. billing and sales databases) to collect relevant information. In terms of ongoing costs, it identified the cost of generating and distributing notifications to customers and the costs associated with maintaining and updating IT systems as the main cost drivers.[279]

Cost estimates

2.79 Appendix 1 sets out our views on the detailed stakeholder comments received in response to the consultation on our cost estimates in CP25/3, and how our cost assumptions have changed as a result. In summary:

- The revised cost estimates in this CBA are mainly based on the estimates and/or assumptions submitted by the schemes on compliance costs. Mastercard's costs [✂].[280] Cost estimates submitted by Visa are significantly higher than the cost estimates we consulted on. Visa developed its implementation cost estimates for its proposed approach by considering [✂].[281] Appendix 1 explains the evidence and assumptions underlying our estimates in more detail.
- We consider that the estimates and assumptions provided by the schemes may overstate compliance costs (for the reasons set out in Appendix 1). Notwithstanding this, we have decided to use them in this CBA, to show that even with such estimates the remedy would still be net beneficial (as shown earlier in the break-even section).

277 CMA, *Investment Consultants Market Investigation: Final Report* (12 December 2018), paragraphs 12.199 to 12.251.

278 The CMA also provided guidance on what information should be provided to customers in their annual fee statements.

279 Ofcom, *Helping consumers get better deals: Statement on end-of-contract notifications and annual best tariff information* (15 May 2019), paragraph 10.45.

280 [✂].

281 Visa response to [✂].

2.80 Table 6 shows a breakdown of our estimates for the one-off compliance costs to be incurred by the schemes in the first year. Further details on the assumptions made are set out in Appendix 1, Table 12. The total one-off cost for both schemes combined is [✂].

Table 6: One-off ITC remedy costs (across both schemes)

<table>
<tr><th>Cost</th><th>Visa</th><th>Mastercard</th><th>Total</th></tr>
<tr><td>Change project</td><td>£[✂]</td><td>£[✂]</td><td>£[✂]</td></tr>
<tr><td>IT project</td><td rowspan="3">£[✂]</td><td>£[✂]</td><td rowspan="3">£[✂]</td></tr>
<tr><td>Acquirer engagement</td><td>£[✂]</td></tr>
<tr><td>External project management</td><td>£[✂]</td></tr>
<tr><td>Total</td><td>£[✂]</td><td>£[✂]</td><td>£[✂]</td></tr>
</table>

Source: PSR estimates based on the assumptions in Appendix 1.
NOTE: Any discrepancy in total is due to rounding. All estimates below £1 million are rounded to the nearest £5,000 and estimates above £1 million are rounded to the nearest £100,000.

2.81 Table 7 shows a breakdown of our estimates for the annual ongoing costs to implement the ITC remedy, which we expect to be significantly lower than the one-off costs. We assume that the schemes will incur some costs to maintain the new IT systems they have developed. It also includes actions required to provide the required information and keeping the ITC compliance policy under review and making any changes. The total annual ongoing cost for both schemes combined is [✂].

Table 7: Ongoing annual ITC remedy costs (across both schemes)

Cost	Visa	Mastercard	Total
IT maintenance	£[✂]*	£[✂]	£[✂]
Providing the required information and ongoing review	£[✂]	£[✂]	£[✂]
Total	**£[✂]**	**£[✂]**	**£[✂]**

Source: PSR estimates based on the assumptions in Appendix 1.
NOTE: Any discrepancy in total is due to rounding. All estimates below £1 million are rounded to the nearest £5,000 and estimates above £1 million are rounded to the nearest £100,000.
* As explained in Appendix 1, this also accounts for other costs associated with providing the required information on an ongoing basis that may not be already captured in Visa's estimate.

Assessment of potential costs incurred by acquirers

2.82 An acquirer said that allowing the schemes to comply with the ITC Direction separately, using their existing tools and data provisions rather than a standardised form, would add complexity to acquirers' reconciliation activity. It said that this would require acquirers to build additional data infrastructure and employ additional resource to manage the process. This could have an unintended impact of acquirers increasing their cost base, which is at odds with the aim of the remedy.[282]

2.83 We have not received other similar submissions from acquirers on potential costs they may incur as a result of the remedy. In our extensive engagement with acquirers throughout the Scheme and Processing fees review, the development of the remedies, and our consultations, we have not identified similar concerns.

2.84 We note that there may be additional costs incurred by some acquirers to use the information provided to them by the schemes as part of the ITC remedy. However, we expect that acquirers will only incur such costs if the impact on them is positive (e.g. if cost savings to acquirers due to the ITC remedy outweigh any additional costs).

2.85 We have considered the potential cost implications on acquirers in our remedy design, as set out in Chapter 2 in the aim and basis of the remedy section.

2.86 Given the above we have not sought to quantify the costs acquirers may face to actively benefit from this remedy in our break-even analysis or broader cost estimates. To the extent there may be some costs incurred by some acquirers, we have not seen evidence to suggest that this may have a material effect on our assessment and findings.

Pricing governance

Remedy

2.87 As set out in Chapter 3, we are requiring Mastercard and Visa to:

- pay due regard to service users' interests
- maintain a written record of all Acquirer Fee Decisions setting out the rationale for those decisions
- provide us with an annual overview of its Acquirer Fee Decisions and compliance attestation

2.88 The Pricing Governance Direction is designed to apply to decisions for scheme and processing fees affecting acquirers with UK transactions. It includes a materiality threshold to exempt from the scope of the substantive requirements mandatory and optional fees that are expected to generate less than £250,000 of gross revenue per year.

2.89 As set out in Chapter 3, in response to stakeholder submissions, we have increased the level of the materiality threshold from £100,000 (in CP25/3) to reduce compliance costs (mainly so that schemes have more time to provide the required information for new and changed fees below the threshold) while still achieving the aim of our remedy.

282 Stakeholder response to CP25/3 [✁].

Summary of stakeholder responses

2.90 In response to the consultation (CP25/3), we received mixed views on our assessment of the costs and benefits of the Pricing Governance remedy that we consulted on. In summary:

- Mastercard argued that the inclusion of future benefits in the causal chain is flawed, 'as the benefits of potential future interventions should not in effect be "double-counted"'. It considered that the benefits of future interventions should not be included in the cost-benefit analysis of the current remedy.[283]
- An EMI argued that pricing governance and record-keeping requirements promote more disciplined, evidence-based decision making by schemes, hence stronger accountability.[284]
- Visa stated that we had underestimated the effort associated with providing information for the Annual Overview and said that in the absence of an appropriate materiality threshold, determining which fee changes to include in the Annual Overview and Compliance Report would be a substantial effort as it would have to consider all fee changes globally to estimate whether there is conceivably any impact on UK merchant transactions.[285]

2.91 The following subsections provide our updated assessment of the benefits and compliance costs for the remedy in light of stakeholder responses. We note that responses received were broadly qualitative with limited evidence to support the views presented. In what follows, we provide more details on stakeholder responses and how we have addressed them.

Expected outcomes

2.92 This remedy aims to address our concerns around a regulatory information gap related to the schemes' pricing decisions. It will reduce the uncertainty and insufficient information on the drivers of the schemes' pricing decisions. This in turn will allow us to better understand and monitor the market. As such, the immediate, ongoing benefits of this remedy are that it will improve our ability to perform our functions and promote our objectives. It may potentially mitigate the effects of a lack of competitive constraints in the future (if it contributes to future regulatory decisions, for example, to impose a new intervention or modify existing ones). It may also potentially mitigate the effects of a lack of competitive constraints on the schemes through the 'must pay due regard' component, though there is uncertainty around this. Figure 6 below shows the causal chain for this remedy, setting out how we expect the intervention to lead to the desired outcomes, and what assumptions are necessary for this to happen.

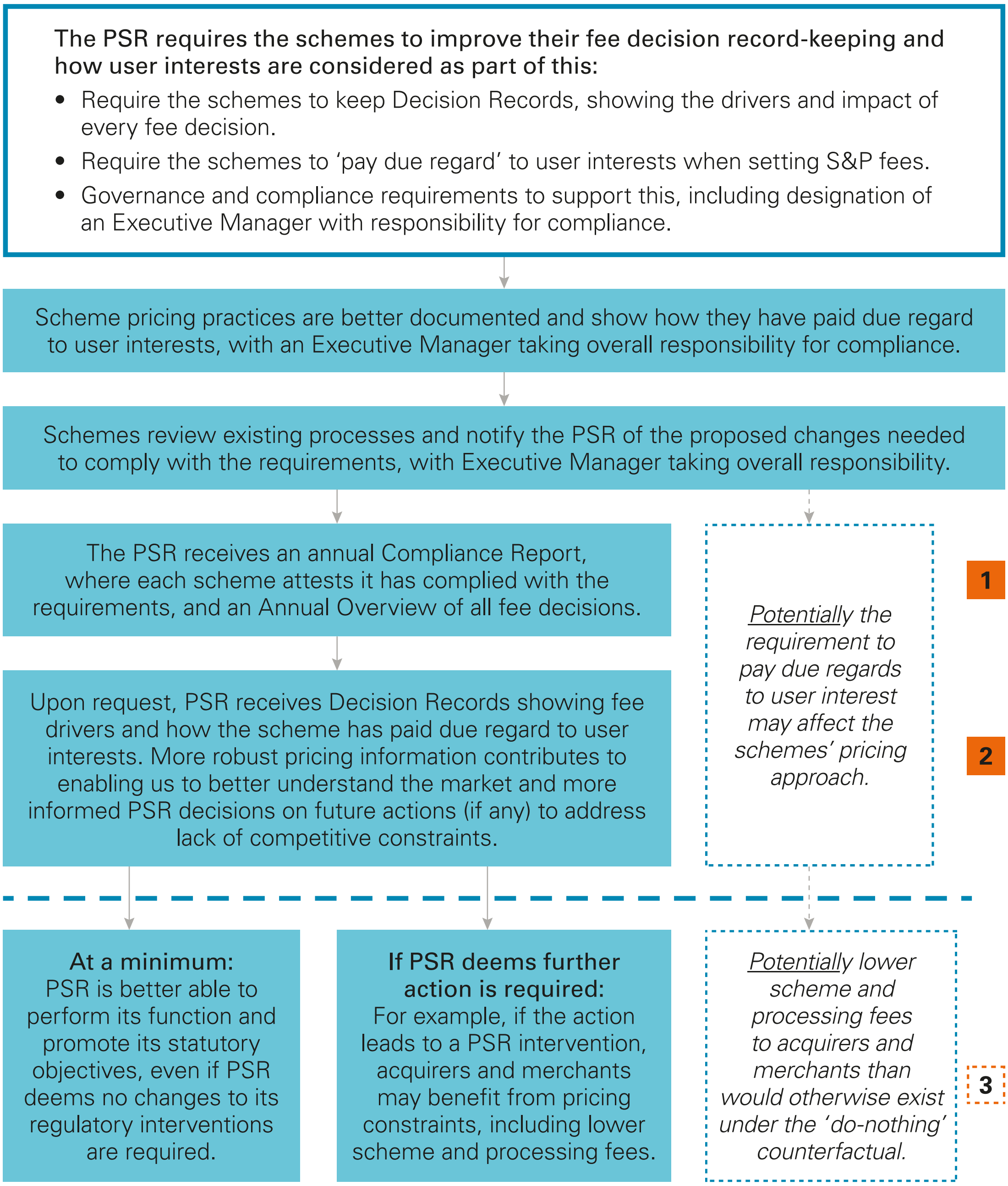
2.93 We consider that this remedy is likely to achieve the desired outcome as it directly addresses an information gap that we identified in our market review and will generate the required information to inform regulatory decisions.

283 Mastercard response to CP25/3, page 12.

284 Stakeholder response to CP25/3 [✁].

285 Visa response to CP25/3, Annex 1, paragraph 1.49 and subheading above Annex 1, paragraph 1.48.

Figure 6: Pricing Governance causal chain



Dotted lines indicate uncertainty around the potential benefit.

Assumptions

1	The Decision Records include sufficient and accurate detail such that the PSR can clearly understand the reasoning behind fee changes and how the schemes have considered user interests.
2	Understanding the drivers of price changes is key for the PSR to discharge its functions effectively, including designing and/or monitoring the effectiveness of regulatory interventions to mitigate the lack of competitive constraints.
3	Schemes have incentives (despite no obligation) to act in line with user interest due to the "pay due regard" requirement

2.94 In response to Mastercard's concerns about double counting, we note that some benefits may arise indirectly through future regulatory decisions that draw on information generated by this remedy. For example, if a future intervention relies in part on this evidence, the remedy would have contributed to the resulting benefits. In assessing these effects, it is appropriate to attribute a share of any such benefits to the Pricing Governance remedy, while recognising that further interventions would also involve additional costs. Any decision to introduce a future intervention would be subject to a separate assessment, including a CBA, to determine whether it is effective and proportionate.

2.95 This view is consistent with the 'real options approach',[286] which is a useful framework to assess remedies in such circumstances. The approach is used where the first stage of an intervention provides greater certainty about the benefits of potential subsequent interventions. Under this approach, there is a cost associated with the initial intervention, but the key benefit is that it enables better regulatory decisions.

Benefit assessment

2.96 We explained in CP25/3 that while most non-scheme respondents indicated support for our Pricing Governance remedy, we received very limited evidence from stakeholders on the potential benefits. However, our assessment of the expected outcomes suggests that it is likely to bring important benefits.

2.97 We focus our analysis on whether the benefits are likely to outweigh costs, rather than seeking to have a precise quantification of costs and benefits. We consider that this is sufficient to inform our views on the proportionality of the Pricing Governance remedy.

2.98 In our view, the remedy, as outlined in this document and the Pricing Governance Direction, is capable of achieving its intended purpose (as summarised in the causal chain above (see Figure 6). This has been discussed in the design considerations specific to the Pricing Governance remedy in Chapter 3, after carefully reflecting on feedback to the consultation (CP25/3). We note in particular that:

- Requiring AFDRs ensures the PSR can access more accurate information from the schemes on the impact and drivers of price changes when requested. This relies on the assumption that the AFDRs will include sufficient detail and accurately record the impact and drivers of pricing decisions. We consider that understanding drivers of price changes is key to enabling the PSR to make more informed regulatory decisions.
- We have set out a series of minimum requirements in relation to how schemes 'must pay due regard' to service-users' interests. We consider that this will provide a high level of confidence to schemes and the wider industry on what is required to comply with the Pricing Governance remedy, and thus facilitate effective compliance, monitoring and – if required – enforcement.

286 Cave and Gibson, *Assessing the impacts of primary and secondary legislation – a Real Options approach to rules for making rules* (working paper published in January 2024).

2.99 We note that acquirers (and by extension merchants and end consumers) may benefit from the potential mitigation of the lack of competitive constraints through the 'must pay due regard' component of the Pricing Governance remedy. While the schemes remain free to set their fees as they see appropriate, they need to consider how a proposed fee change will affect service users' interests before reaching a decision. This, combined with the PSR's increased ability to monitor pricing practices arising from this remedy, has the potential to affect the schemes' behaviour. This might potentially lead to scheme and processing fees that are lower than would otherwise prevail under the counterfactual (and which would ultimately be passed on to merchants). We note however the uncertainty around the materiality of any such direct effect on price, and therefore do not put weight on this in reaching a decision on the scale of benefit and proportionality of our remedies.

Scale of benefits and assessment of cost-benefit balance

2.100 The scale of the benefits will depend on the analysis and use of the information received by us under this remedy, information which is complementary to the RFR remedy that we recently consulted on (CP26/1), and equally necessary to fill the regulatory information gap we identified in the final report. At a minimum, the Pricing Governance remedy delivers a direct benefit as we will be better able to perform our functions and promote our objectives: as a regulator we should have information to sufficiently understand the drivers of the schemes' pricing decisions. This information may be useful for a range of functions, including market reviews.

2.101 Understanding drivers of price changes can contribute to more informed decisions that ultimately benefit service end users. For illustration, the information may contribute to understanding:

- the extent to which potential alternative payment methods may affect the schemes' pricing decisions in the future
- the extent to which future price changes may be partially due to the effectiveness of the ITC remedies
- the extent to which potential future price rises are explained by cost or investment vs. increasing profits

2.102 This information is important for us as a regulator and is expected to feed into future assessments and actions by us. While this does not easily lend itself to a quantitative assessment, we expect such benefits to be higher than the required cost.

2.103 Similarly to RFR, there may also be additional benefits if this remedy contributes to any further action we may take in future that results in more effective regulation. If so, then the benefit is providing information that contributes to giving us – alongside other evidence – greater certainty on the need, or otherwise, for any future actions.

2.104 We believe that potential future interventions that could be informed by the Pricing Governance remedy would have significant benefits. Even though we recognise that the remedy will only contribute to them, we view the relatively low cost of the remedy, and the significant potential benefits of those potential interventions, as sufficient justification of it being net beneficial.[287]

2.105 Because of the need for the evidence it provides (alongside RFR) to better perform our functions and promote our objectives, the type of direct and potential future benefits associated with this remedy, their expected scale and its relatively small cost,[288] we consider that even on conservative assumptions the Pricing Governance remedy is likely to be net beneficial.

2.106 We note that while the benefits of the RFR and Pricing Governance remedies reinforce each other as both remedies contribute to informing potential future actions, they do so in different ways, as they address different regulatory information gaps. To the extent that there may be some overlap in potential benefits that may arise from a future decision that would be informed by both remedies, the cost of the Pricing Governance remedy is likely to be immaterial relative to the combined contribution of both remedies to future interventions and their potential benefit, so it will not affect our overall assessment in this CBA.

Compliance costs

Evidence on the costs of implementing the remedy

2.107 As set out in CP25/3, in our review of previous policies where similar remedies have been introduced, we found that the main drivers of costs were staff costs associated with ensuring compliance with the remedy.[289]

2.108 For example, an FCA intervention in the pensions product market sought to address potential harm arising from poor value for money that consumers receive from Independent Governance Committees (IGCs) and Governance Advisory Arrangements (GAAs).[290] The remedies introduced new requirements on IGCs and GAAs to conduct value for money assessments.[291] The FCA assumed that firms would need additional meetings, or additional time in meetings, to assess the firms' policies and ensure they are providing value for money. In addition, it assumed that there would be other firm costs associated with supporting the IGC. In total, the FCA estimated that ongoing compliance costs for firms with an IGC were around £90,000 to £150,000 per year, per firm.[292]

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287 The expected up-front cost of the Pricing Governance remedy is £2.2 million with an annual ongoing cost of £1.1 million. Relative to the annual scheme and processing fee revenue schemes collected from acquirers of [✂] these figures are less than [✂] of that revenue. An estimate of the required annual break-even benefit over 10 years of this remedy is approximately [✂] for both schemes combined, which is still less than [✂] of the annual scheme and processing fee revenues from acquirers (this assumes a delay of 1 year before any benefits are realised).

We also conducted a sensitivity analysis based on a 20% change in the expected up-front and ongoing cost of the Pricing Governance remedy cost figures used in this break-even analysis:

If the costs were to be increased by 20%, the present value of annual required benefit would be £[✂] for Visa, £[✂] for Mastercard, and £[✂] for both schemes combined.

If the costs were to be reduced by 20%, the present value of annual required benefit would be £[✂] for Visa, £[✂] for Mastercard, and £[✂] for both schemes combined.

288 While we recognise that there might be additional costs associated with implementing a future intervention, if we decide to intervene in the future, we will of course carry out a CBA to ensure any such intervention has a net positive impact.

289 CP25/3, Annex 2, paragraph 2.73.

290 FCA, CP20/9, *Driving value for money in pensions* (June 2020).

291 FCA, CP20/9, Annex 2, paragraph 17.

292 FCA, CP20/9, Annex 2, Table 2.

2.109 The FCA also introduced a product governance remedy in its general insurance pricing practices market study (CP20/19).[293] This required firms to assess all existing products within 1 year of the rules coming into effect and take appropriate action to ensure that products provide fair value going forward. When the FCA did an ex-post evaluation of the compliance costs associated with the remedies, it found that one-off costs were around £574,000 for large firms, with ongoing costs of around £431,000.[294] The firms that responded to the FCA's original compliance cost survey reported that the majority of one-off costs related to adapting existing IT set-ups or implementing new ones.[295]

2.110 In its response to CP25/3, Visa commented that the cost of complying with the requirements to prepare the Annual Overview and Pricing Governance Compliance Report is disproportionate, especially without an appropriate materiality threshold.[296] In response to comments from Visa around the potential burdens of this remedy we have refined aspects of the compliance reporting,[297] and we have also increased the level of the materiality threshold (for more details see Chapter 3).

2.111 As set out in paragraph 3.65 of our final decision, we consider that the small number of relevant fee decisions each year is such that it limits the scale of any forecasting and reporting exercise related to the Annual Overview and Pricing Governance Compliance Report.

2.112 Given the above, in our view, the main costs associated with this remedy would be staff costs. We do not anticipate there will be any IT costs since the information required to comply with this remedy should already be available to the schemes.

Cost estimates

2.113 We have made a number of assumptions to estimate the costs to be incurred by the schemes to comply with the Pricing Governance remedy. They are set out in Appendix 1, Table 13. The remedy does not require a significant change in operation or business model, but does require resource costs to produce better records and compile these as part of AFDRs and produce a report detailing compliance with the remedy.

2.114 Our assumptions are similar to those used in CP25/3 for the higher-end compliance costs. We have also updated our analysis for 2025 prices, where relevant. See Appendix 1 for more details on stakeholder responses to the cost assumptions and estimates in CP25/3, as well as the final assumptions underlying our estimates in the tables below.

2.115 Table 8 summarises our estimates of one-off implementation costs that we expect to be incurred by the schemes in the first year. First, we have assumed there will be a relatively small change project to account for costs associated with changes to internal processes and governance that would be required to comply with the remedy. Second, we have estimated costs to comply with the requirement to train employees involved in the preparation, review, or delivery of acquirer fee proposals, Acquirer Fee Decisions, and AFDRs. Third, we have assumed an ongoing cost associated with creation and provision of

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293 FCA, CP20/19, *General insurance pricing practices market study – Consultation on Handbook changes* (September 2020, updated December 2020)

294 FCA, *Evaluation paper 25/2: An evaluation of our General Insurance Pricing Practices (GIPP) remedies* (July 2025).

295 FCA, CP20/19, Annex 2, paragraphs 50 to 62.

296 Visa response to CP25/3, Annex 1, paragraphs 1.48 to 1.50.

297 This includes amending requirements around forecasting to only require 'reasonably forecast' revenues, recognising uncertainty of forecasting and not making it unduly burdensome.

AFDRs, which is also incurred in the first year.[298] We have also allocated costs for the external project management that specifically relate to the implementation of the Pricing Governance remedy.

Table 8: One-off costs of Pricing Governance remedy (across both schemes)

Cost item	Total cost (both schemes)
Change project, including governance	£515,000
Training	£235,000
Providing the required information	£870,000
External project management	£600,000
Total	**£2,200,000**

Source: PSR estimates based on the assumptions in Appendix 1.
NOTE: Any discrepancy in total is due to rounding. All estimates below £1 million are rounded to the nearest £5,000 and estimates above £1 million are rounded to the nearest £100,000.

2.116 Table 9 summarises our estimates of the ongoing implementation costs that we expect to be incurred by the schemes every year after the first year. We assume costs of providing the information are similar to those in the first year. We assume there will be ongoing governance costs and also ongoing training costs, which will be around 20% of the initial training costs to account for staff turnover and training refreshers.

Table 9: Ongoing annual costs of Pricing Governance remedy (across both schemes)

Cost item	Total cost (both schemes)
Ongoing governance costs	£150,000
Training costs	£45,000
Providing the required information	£870,000
Total	**£1,100,000**

Source: PSR estimates based on the assumptions in Appendix 1.
NOTE: Any discrepancy in total is due to rounding. All estimates below £1 million are rounded to the nearest £5,000 and estimates above £1 million are rounded to the nearest £100,000.

298 As set out in paragraphs 3.64 to 3.66, we recognise there may be some additional costs associated with forecasting revenues, but our view is that these would not materially affect our assessment of the overall cost.

Other impacts of ITC and Pricing Governance remedies

Familiarisation, gap analysis and compliance set-up

2.117 Familiarisation and gap analysis refer to firms reading and familiarising themselves with the detailed requirements of the new rules, guidance, or good practice, and checking their current practices against these expectations. We also estimate costs for compliance set-up. We have estimated these costs across all remedies as opposed to each individual remedy. We did not receive any comments on our estimates for these costs, hence our cost estimates are similar to those presented in the consultation (except for updating our analysis for 2025 prices, where relevant). Given the scale of these costs, they do not meaningfully impact our overall assessment of the costs and benefits.

Table 10: Other one-off costs across remedies (across both schemes)

Cost item	Total cost (both schemes)
Familiarisation	£15,000
Gap analysis	£55,000
Compliance set-up costs	£85,000
Total	**£155,000**

Source: PSR estimates based on the assumptions in Appendix 1.
NOTE: Any discrepancy in total is due to rounding. All estimates below £1 million are rounded to the nearest £5,000 and estimates above £1 million are rounded to the nearest £100,000.

Costs to the PSR/FCA

2.118 The PSR – and, in the future, the FCA – will face some internal costs associated with these remedies.[299] We will bear the cost of monitoring the schemes to ensure compliance with both remedies. We expect there will be an opportunity cost to us as our work is re-prioritised in order to accommodate this additional work.

Impact on economic growth

Consultation responses on economic growth

2.119 In their responses to CP25/1, the schemes submitted arguments as to why the individual remedies were likely to be harmful for growth and investment. Both schemes also had concerns about the remedies package as a whole, which at the time included the RFR remedy. Mastercard (and a trade association) submitted that the PSR should consider the unintended consequences of its proposed remedies, including impacts on innovation.[300] In addition, Visa submitted that we did not account for the impact that unnecessary regulatory intervention may have on inhibiting market participants' incentives to invest

299 The decision for the final remedy is taken by the PSR, but following the consolidation of the PSR into the FCA the FCA will be responsible for the ongoing monitoring and enforcement of the remedy.

300 Mastercard response to CP25/1, page 46; stakeholder response to CP25/1 [✂].

and innovate in the UK payments sector, negatively impacting the wider UK economy.[301] We addressed the schemes' specific concerns by proposing changes to the remedies in CP25/3, which also no longer included RFR.

2.120 In their response to CP25/3, Visa said that the remedy would require bespoke UK-specific governance processes and documentation requirements, ultimately leading to Visa operating differently in the UK and globally, saying '[t]his would impose unnecessary additional regulatory requirements and compliance obligations on the UK payments sector, making the UK less attractive for launching new innovative services and ultimately stifling the UK's dynamic payments ecosystem as a result'. It said that the requirements would be 'highly duplicative' of its existing obligations under GD1, and would be an unnecessary burden and cost for Visa with no clear benefit. It said this meant that the expected incremental benefits of the remedy are likely to be low and would be insufficient to offset the increased cost of compliance and burdens on Visa.[302]

2.121 Mastercard submitted that although the remedies '[✂]. As the UK regulatory burden increases, this may have the effect of deterring or delaying the rollout of new services in the UK, to the detriment of UK economic growth'.[303]

2.122 On the other hand, in their responses to CP25/3, an EMI and a trade body representing merchants argued that the remedies could have a positive impact on economic growth.[304] The trade body noted that 'improvements in transparency, better governance, and reduced operational inefficiencies might support investment, productivity, and competitiveness across the retail sector if they lead to cost reductions'.[305] The EMI suggested that 'by improving transparency, predictability, and accountability in scheme pricing, the proposed remedies should support economic growth'.[306]

Overall assessment on the impact of our remedies on growth and competitiveness

2.123 In our letter to the Prime Minister on our approach to supporting growth, we committed to five areas of work that will help to support economic growth in the UK economy – one of which was to take action on card fees.[307] In the letter, we noted merchants' concerns around the high cost of accepting cards and the resulting impact on businesses' ability to invest and grow, which could subsequently constrain economic growth.

2.124 We have considered the impact that these measures will have within the broader international regulatory environment. We are not the only regulator investigating the card schemes. As such, we have engaged with other regulators, e.g. our European and Australian counterparts. As far as we are aware, no other jurisdiction has implemented remedies similar to those we are imposing on Mastercard and Visa specifically.

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301 Visa response to CP25/1, paragraph 2.5d.

302 Visa response to CP25/3, paragraphs 4.28 and 4.29. We note that our view on the direct incremental costs and benefits are set out in earlier sub-sections, so we do not cover them again in this sub-section.

303 Mastercard response to CP25/3, page 13.

304 Stakeholder responses to CP25/3 [✂].

305 Stakeholder response to CP25/3 [✂].

306 Stakeholder response to CP25/3 [✂].

307 *Response to the Prime Minister's letter regarding our approach to growth*.

2.125 With regard to the remedies set out in this document:

- ITC remedies are commonly implemented by UK regulatory authorities, and we have not seen any evidence that these present a large detrimental impact to investment and innovation.
- The Pricing Governance remedy involves keeping good records of decisions, which is a basic requirement placed on financial services firms by other regulators, such as the Bank of England and the FCA.[308] It is designed to help bridge a regulatory information gap and does not interfere in the schemes' front-line business operations.

2.126 Furthermore, we have made changes to the remedies to make implementation easier or reduce the burden for the schemes, where possible.

2.127 We have carefully considered the potential impact of our remedies on UK business investment and economic growth:

- We believe our interventions, in particular, ITC, will go some way to help reduce the costs that acquirers and merchants face when accepting card payments. This can support their future growth and development.
- We have not identified any significant unintended consequences of our remedies that could have adverse effects on growth. Across both schemes combined, the estimated implementation cost for the remedies combined is unlikely to have a material impact on innovation as it accounts for a small proportion of the schemes' annual fee revenue from acquirers for scheme and processing services (approximately less than [✂]% for one-off costs and approximately less than [✂]% for ongoing costs).[309]

2.128 As stated in our final report, we would expect any greater competitive pressure on the acquiring side to lead to greater, not lower, innovation to the benefit of merchants, even if it were to lead to lower acquiring-side fees.[310]

2.129 On this basis, we believe the impact of each remedy on growth is likely to be positive or, at worst, neutral.

2.130 To the extent that concerns may arise in the future related to the cumulative impact of regulatory interventions, these can be considered at the point such interventions are developed, based on the evidence available at that time.

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308 See Bank of England, [Regulatory expectations]() and FCA Handbook, [SYSC 9.1 General rules on record-keeping]().

309 This assumes one-off costs of [✂] million and ongoing costs of [✂] million which are the implementation cost estimates for both schemes combined. The denominator for this calculation is £[✂], which is the total gross fees paid by acquirers for scheme and processing services from both schemes in 2023 (as set out earlier). The findings still hold if we calculate this per scheme.

310 MR22/1.10, paragraph 6.183.

Other considerations of unintended consequences

Consultation responses on unintended consequences

2.131 In response to CP25/3, a trade body representing merchants and an EMI raised similar concerns that schemes may restructure their fees to remain below materiality thresholds and that scheme compliance may not ultimately lead to improvements in transparency.[311] A trade body representing merchants highlighted concerns over 'partial or technically compliant disclosures that remain operationally unusable', and 'higher compliance costs for schemes that may ultimately be passed through to merchants'.[312] The EMI had similar concerns of 'schemes restructuring their fees to remain below materiality thresholds' and of 'formal compliance that does not result in meaningful improvements in transparency'.[313] Both respondents suggested that these risks should be mitigated through supervision and our active monitoring. The EMI suggested this should be achieved through 'outcome-focused supervision that assesses whether acquirers can practically understand, reconcile, and explain fees'[314] and the trade body representing merchants suggested 'periodic review of materiality thresholds, and clear expectations around data quality, standardisation, and usability'.[315]

Overall assessment on the potential unintended consequences of our remedies

2.132 As part of our remedy development, and consideration of effectiveness and proportionality, we have carefully considered the risk of unintended consequences from our ITC and Pricing Governance remedies:[316]

- **ITC**: As explained in Annex 1 of CP25/3, the risk of unintended consequences was a relevant consideration in our decision not to progress with ITC3, ITC4 and a fee volume reduction remedy. The ITC Direction includes safeguards to mitigate the risk of unintended consequences, for example the requirement to give six months' notice for fee changes allows exceptions to this where such changes are in service users' interests. In response to the concerns expressed in response to CP25/3, we have included a materiality threshold, but we will keep this under review as set out in Chapter 2.
- **Pricing governance**: The Pricing Governance Direction has been developed to avoid or mitigate the risk of unintended consequences; for example, we have moved away from our original proposal to develop a pricing methodology remedy in light of stakeholder feedback on our interim report.[317] In light of feedback to the Remedies Consultation (CP25/1), we removed a requirement for 'reasonableness' as a pricing principle, given the risk that this could place obligations on the schemes that are disproportionate or go beyond what is needed to address our findings in the market review. As for ITC, we will keep the materiality threshold under review.

311 Stakeholder responses to CP25/3 [✁].
312 Stakeholder response to CP25/3 [✁].
313 Stakeholder response to CP25/3 [✁].
314 Stakeholder response to CP25/3 [✁].
315 Stakeholder response to CP25/3 [✁].
316 See Chapter 4.
317 CP25/1, paragraphs 3.43 and 3.44.

Appendix 1
Costs and assumptions used in the CBA

This Appendix sets out the assumptions used to estimate the compliance costs of the ITC and Pricing Governance remedies. We set out the assumptions in the following order:

- Assumptions on the impact of the remedies on the schemes' resources, which is, to a large extent, staff time.
- Assumptions on total cost of employee, which we use to monetise the impact on staff time where relevant.
- Assumptions on the impact of a materiality threshold on compliance costs.

This Appendix also includes a summary of stakeholder comments on the cost assumptions that we consulted on and how we have addressed them.

Assumptions on the impact on the schemes' resources

Summary of our views in CP25/3

1.1 In CP25/3,[318] we noted the challenges and uncertainties around estimating compliance costs and noted that this was also recognised by the schemes. To reflect uncertainties, we provided an upper-bound and lower-bound estimate for most cost items, particularly those with a material impact on overall costs. The lower-bound estimates were based on a variety of sources of evidence and our own judgement,[319] while the higher-bound estimates reflected feedback from the schemes ([✁]).[320] We explained that:

- where Mastercard and Visa have provided specific comments related to our assumptions, they did not seem to be inconsistent with our high-bound estimates
- while the higher-bound estimates reflected feedback from the schemes, there were some cost elements where there was a greater degree of uncertainty over the estimates, and they may have been overestimated

318 Our full views were set out in CP25/3, Appendix 1.

319 Our cost model was structured in a similar way to that set out by the FCA in *Statement of Policy on Cost Benefit Analyses* (July 2024). Where relevant, some of our assumptions were based on those used in the FCA Statement of Policy, adapting them to our remedies, sector and size of firms. We also drew on evidence from other regulators on similar remedies to inform our assumptions, as well as our engagement with the schemes. We accepted proposals by the schemes where we believed that they were reasonable as a low-end estimate.

320 As explained in CP25/3, Appendix 1, [✁] and [✁].

1.2 We calculated costs per scheme and then aggregated these figures to estimate the total compliance cost across both schemes. We considered that this method recognised potential differences between schemes (e.g. due to size, systems, processes, organisational structures). By providing a broad range, our estimates were designed to encompass the differences, with each scheme potentially falling at a different point within this range. We added that this approach ensured that the combined estimate remained representative of the likely overall costs for both Visa and Mastercard.

1.3 In CP25/3 we noted that the actual one-off costs to the schemes will vary depending on factors such as how the schemes' current IT systems are set up and whether they already provide some or all of this information to acquirers. These factors could ultimately influence the time and staff required to make the IT changes. For example, Visa recently introduced a new acquirer billing guide as an additional resource to the Visa Fee Schedule and acquirer invoicing. If we were to hypothetically assume that Visa's current practices meet some of the requirements of our remedy, this would mean that they will need to do less to comply. While this reduces the estimated benefits of the remedy, it also reduces the estimated compliance costs. [321]

Our updated views following consultation

1.4 Annex 2 covers stakeholder comments on CP25/3 related to our approach to estimating costs and our cost estimates. As explained in the annex, the main changes we have made on cost estimates in this final CBA in response to stakeholder comments are:

- We present a single cost estimate based on our engagement with the schemes, rather than presenting a range. We then present a sensitivity around this estimate, where relevant, given the uncertainty on the exact level of cost.
- For the ITC remedy, our cost estimate for Visa [✁]. The cost estimate for Mastercard is [✁].
- Our cost estimates for the Pricing Governance remedy are the same for both schemes and are broadly similar to the higher-end cost estimates presented at consultation.

1.5 In this Appendix, we cover in more detail the responses to CP25/3 on the cost assumptions we consulted on and our engagement with the schemes on costs after consultation. We then present the revised cost assumptions used in this CBA in light of this.

Our views on Visa's submission on ITC cost estimates

1.6 In response to CP25/3, Visa argued that we had underestimated the cost of making necessary changes to its core systems to meet the requirements of the ITC remedy as originally proposed. It considered that transaction-level data, as proposed in CP25/3, cannot be practically implemented, and that this would be highly disruptive, entailing major, multi-year change programmes for both Visa and its clients, not only in the UK but globally. Given the scale of the changes that would be required, Visa expected that the associated costs of doing so are an order of magnitude higher than in our cost estimates reflected in the CBA.[322] As a result, regarding the provision of transaction-level data,

321 CP25/3, paragraph 2.53 and 2.61.

322 Visa response to CP25/3, paragraphs 3.13 to 3.25 and Annex 1, paragraphs 1.35 and 1.36.

Visa argued that the required change projects and IT projects would take [✂] to complete, i.e. longer than our proposed implementation timeline of one year.[323]

1.7 As set out in Chapter 2, we have revised the remedy design in a way that addresses the implementation and cost challenges raised by Visa. [✂]. Following broader engagement with stakeholders, we have decided to adopt an alternative solution requiring schemes to provide additional transparency information to enable acquirers to support their own reconciliation activities (instead of a unique transaction identifier).[324]

1.8 As part of our engagement with Visa [✂], it provided estimates for the compliance costs for the ITC remedy (without a unique transaction identifier). Our understanding of Visa's estimates for the remedy is as follows:[325]

- Visa estimated that the one-off costs of the change project needed to implement the ITC remedy would be in the order of [✂] in the absence of a materiality threshold, and [✂] with a materiality threshold of [✂]; and that the increase in effort associated with implementing the remedy without a materiality threshold would be equivalent to employing around [✂] FTEs. Visa explained that these estimates include the cost of producing Enhanced Information for existing billing lines and [✂]. It said that there would be some additional costs associated with capturing, inserting, checking and validating any Standard Information elements [✂], which are not included in these cost estimates.[326] Visa also said that it had not been able to consider the costs of [✂] at this stage, and that it did not have full detail available on the technical/IT solution that would be used to support its proposed approach at this stage (or the associated costs). It is not clear from Visa's response if there will be additional IT costs and, if so, their scale.[327]

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323 In relation to the change project, Visa stated that it recently developed the Acquirer Billing Guide that covers the top [✂] billing lines (in terms of UK acquirer invoice coverage), which took [✂] to complete. Under the IT project, Visa noted that our cost estimate was based on the FCA's standardised cost model for 'smaller and simpler interventions', which is 'wholly inappropriate' due to the nature and scale of the work it said would be required. It argued that implementing transaction-level identifiers would require, at a minimum, a complete overhaul of Visa's global systems, including substantial re-engineering of Visa's core processing infrastructure as well as its clients' own systems. Visa would expect this to involve an intensive, major, multi-year project. Visa response to CP25/3, paragraphs 3.9, 3.22 and 3.23 and Annex 1, paragraphs 1.30, 1.31 to 1.34, and 1.37 to 1.43.

324 Visa response to CP25/3, paragraphs 3.36 to 3.38; and Visa response to [✂]. Visa said that it would proactively provide 'standard transparency information' for all fees, including: fee categorisation, description and explanation, billing identifier, rates and units. It said that requiring it to provide technical specifications across all fees/billing lines would be disproportionate. Instead, it proposed that it would provide 'enhanced transparency information' (including technical specifications and other information transparency elements) proactively for (1) all behavioural fees, and (2) for all non-behavioural fees where [✂] fee revenue is greater than [✂], or otherwise upon request. It said this would give acquirers relevant and useful information in a proportionate way, while leveraging the time invested in developing its Acquirer Billing Guide. However, as explained in Chapter 2, we do not agree with Visa's proposed materiality threshold.

325 Visa response to [✂].

326 Visa response to [✂].

327 [✂], we asked Visa to clarify whether its cost estimates cover all costs of complying with the ITC remedy (Standards A, B, C and D), and if not, to provide an estimate of additional costs. In response [✂]. In our view, this would indicate that [✂] and did not at this stage have full detail available on the technical/IT solution that would be used to support it (or the associated costs). Similarly, Visa added that it had not been able to consider the costs of [✂] at this stage, although it identified some engagement activities that it expected to undertake in due course. The one-off IT change costs identified by Visa [✂].

- In addition, Visa estimated that the ongoing costs associated with producing Enhanced Information for new fees/billing lines and updating information when fees are modified would likely be [✂] in the absence of a materiality threshold and in the order of [✂] per annum with a materiality threshold of [✂] for ITC. As explained in Appendix 1, we consider that this ongoing cost is likely to be £[✂] if a materiality threshold is applied to ITC2 only. Visa added that, with a materiality threshold of [✂], the ongoing costs associated with reviewing and updating the relevant transparency information [✂]. However, in its view, this would not be the case in the absence of a materiality threshold for ITC.[328]

1.9 Visa explained that to develop the estimates it considered and [✂]. In particular, it considered:[329]

- [✂];
- [✂];
- [✂];
- [✂];
- [✂]; and
- [✂].

1.10 Visa provided [✂] to inform its estimates. [✂]. While we recognise that costs can vary across schemes depending on their existing systems and the necessary compliance activity, it is not clear what would drive this significant difference. On Visa's estimates, we note that:

- We expect that there should be further scope for efficiencies in variable cost activities. We believe there will be efficiencies in the manual processes described in their cost submission, particularly from learnings and copying of content from similar fees. Visa said that it took account of any learning and efficiencies arising from its previous experience [✂],[330] but it is not clear how it accounted for such efficiencies and their scale.
- We expect that some elements of Visa's cost estimate of [✂] are fixed, i.e. they do not vary with the number of billing lines. At this stage of solution design, Visa was not able to identify any [✂] associated with the change project needed to implement the ITC remedy ([✂]).[331] This raises a concern about whether, when extrapolating from their previous experience on their acquirer billing guide, Visa may have overstated some of the costs by assuming they all increase with the number of fees.
- In its submission, Visa said that its proposal '[i]n many ways, … goes beyond what the PSR has asked for in the context of its ITC remedies – and will make a transformational difference to the ease of access to information that is available to our acquirer clients in the UK'.[332] We interpret from this that the cost estimates they provided are to deliver solutions above the requirements for the ITC remedy and therefore are likely higher than required by our Direction.

328 Visa response to [✂].
329 Visa response to [✂].
330 Visa response to [✂].
331 Visa response to [✂].
332 Visa response to [✂].

1.11 Based on the above, we consider that Visa's cost estimate may be overstated. Notwithstanding this, we use their estimates in this CBA, and we also include estimates for potential additional cost items that Visa did not quantify. This is to show that even with Visa's estimates, the remedy would still be proportionate. The further cost estimates that we add to Visa's [✂] estimates[333] are:

- [✂] one-off costs to account for potential additional costs related to acquirer engagement, IT costs and/or external support project. We consider this to be an appropriate allocation, [✂]. This is because we expect the IT costs for Visa's proposed solution to be different from the consultation estimates ([✂]), as [✂] estimate is independent of whether fee logic information and a transaction identifier is provided,[334] [✂] as per the final remedy design.[335] In addition, as set out earlier, we expect that some of the IT activities that would have been captured under IT costs are already being accounted for in Visa's submitted costs of [✂].
- [✂] ongoing costs to account for potential additional IT and other costs associated with providing the required information on an ongoing basis that may not be already captured in Visa's estimate of [✂].

Our views on Mastercard's submission on ITC cost estimates

1.12 Our final assumptions for ITC costs for Mastercard are [✂].[336] We did not receive any further comments or submissions from Mastercard on such assumptions during or after the consultation.

1.13 We note that, to be conservative, we did not revise the assumptions underlying the ITC cost estimates for Mastercard in response to the higher materiality threshold for ITC2 ([✂]). This is because Mastercard argued that a materiality threshold applying to ITC2 only will not affect its implementation costs.[337]

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333 We used Visa's submitted estimate [✂]. Given that the alternative cost for a threshold of £100,000 is £[✂] million, we believe it is more appropriate to use the [✂] as the closest approximation. In addition, based on Visa's data, [✂] (see our assessment in Chapter 2). Regardless, we have introduced further cost elements to the ongoing estimates, which put it in line with [✂].

334 [✂].

335 In other words, the scope of the activities that would be done to comply with the remedy is different and the IT changes required to undertake these activities are different given the different existing systems and practices between the schemes. We note that Visa's cost estimates include the costs of providing Enhanced Information (i.e. the relevant fee logic and other enhanced transparency information), but do not include the costs of providing transaction-level identifiers, which we consulted on under the original remedy. See Visa's response to [✂].

336 As set out in CP25/3, Appendix 1, [✂].

337 Mastercard response to PSR questions on ITC, [✂]. According to Mastercard, if the materiality threshold should only apply to ITC2, 'the costs to Mastercard do not vary depending on the threshold, since it is limited to ITC2 and does not apply to ITC1. This means that the work would merely be deferred and the threshold (irrespective of its level) would not therefore result in cost savings to Mastercard.'

1.14 [✂], there are some cost elements where there was a greater degree of uncertainty over the estimates, and our assumptions may be an overestimate. This is primarily because we did not receive evidence to substantiate the cost assumptions provided to us during our engagement pre-consultation. For example:

- We agreed that the largest cost element to the ITC remedy is the IT project. However, we did not have sufficient evidence to agree what is an appropriate size of IT project and it is not clear if the high cost suggested by Mastercard is justified.
- For some cost items, we assumed in the estimates that processes will need to be duplicated across scheme and processing fees, though we would expect some cost synergies.[338]

Our views on the pricing governance cost estimates

1.15 The assumptions used to estimate costs for the pricing governance remedy are broadly similar to the upper-bound assumptions presented in CP25/3.

1.16 The assumptions reported in our draft CBA in CP25/3 broadly reflect our engagement with the schemes ([✂],[339] [✂]).[340,341]

1.17 We set out in CP25/3 that where Mastercard and Visa had provided specific comments pre-consultation related to our assumptions, they were not inconsistent with our higher-bound estimates in CP25/3.

1.18 We have also set out that while the upper-bound estimates in our CP25/3 draft CBA reflected feedback from the schemes, there were some cost elements where there was a greater degree of uncertainty over the estimates, and they may be an overestimate. This is primarily because we did not receive evidence to substantiate the cost assumptions the schemes provided to us during our engagement pre-consultation. For example:

- [✂],[342] [✂] we considered it more appropriate to assume that the remedy would result in changes to existing processes. We do not see it as appropriate to attribute costs to activities which should be undertaken as part of the schemes' business-as-usual activities, such as document retention. Further, cost assumptions for some basic tasks, such as creating templates or determining the composition of committees, looked over-inflated.
- For some cost items, we assumed in the upper-bound estimates in CP25/3 that processes will need to be duplicated across scheme and processing fees, though we would expect some cost synergies.[343]
- The training costs for pricing governance in CP25/3 were likely to be overstated, as even if a large number of people need to be trained, we do not expect that all of them will need a full day of training. However, we assumed it would be a full day of training to be conservative.

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338 [✂].

339 As set out in CP25/3, Appendix 1, [✂].

340 As set out in CP25/3, Appendix 1, as [✂], we used [✂] to keep in line with our conservative approach of using higher rather than lower end estimates where there is uncertainty.

341 As set out in CP25/3, Appendix 1, [✂]; [✂]. [✂]; [✂].

342 As set out in CP25/3, Appendix 1, [✂].

343 As set out in CP25/3, Appendix 1, [✂].

1.19 Visa commented on the Pricing Governance remedy upper-bound assumptions in CP25/3. Visa explained that we underestimated the number of AFDRs that would need to be created and the complexity (and associated effort and resource) of producing AFDRs, and thus the associated compliance costs, although it did not provide assumptions or evidence to support its views on the level of effort per AFDR.[344] Nevertheless, we have increased our assumption on the total level of FTE required per year to 4.5 FTE (compared to the upper-bound assumption of 4 FTE that we consulted on) to be conservative, despite adopting a higher level of materiality threshold than the one we consulted on.[345]

1.20 Overall, we remain of the view that there is some uncertainty in the assumptions underlying the upper-bound estimates presented in our CP25/3 draft CBA, and they may be an overestimate. Nevertheless, we used them to estimate costs and revised the relevant assumptions for the Pricing Governance remedy to address comments from Visa in response to CP25/3 and the final level of the materiality threshold.

Assumption Tables

1.21 Tables 11 to 13 below set out our updated assumptions, which include: identifying the key cost items, identifying the nature of these costs (one-off or ongoing) and outlining the scheme's additional resources affected (compared to a 'do-nothing' scenario).

1.22 Table 11 sets out our assumptions for the familiarisation and gap analysis and compliance set-up cost estimates across our remedies. These have not changed since CP25/3. Table 12 and Table 13 set out the assumptions for the compliance costs associated with the ITC remedy and Pricing Governance remedy, respectively.

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344 Visa response to CP25/3, Annex 1 paragraphs 1.45 and 1.46. In CP25/3, we assumed in the lower bound cost estimates that the schemes would publish six AFDRs annually to comply with the Pricing Governance remedy, but Visa submitted that, based on recent pricing decisions in [✂], it would likely be [✂]. Based on this Visa applied an uplift of [✂] to our lower and upper bound cost estimates for 'providing the required information' presented in CP25/3 and argued that compliance costs would therefore around £[✂]-£[✂] higher than our estimates per year. However, we note that the assumption of 6 AFDRs was only used in the lower-bound assumption and did not inform our upper-bound assumption, hence any uplift based on this should only be applied to the lower-bound assumptions (which we no longer present in this final CBA). The upper-bound assumption was presented as a total FTE which would allow for a higher number of AFDR and FTE per AFDR compared to the lower-bound, though we didn't specify the number of AFDRs and FTE per AFDR. This is because [✂].

345 The assumption of 4.5 FTE is likely to be an overestimate. For illustration, even if we were to assume an extreme case for each scheme of an average of 15 AFDRs per year ([✂]), this would mean 0.3 FTE per AFDR. We consider 0.3 FTE per AFDR to be a high estimate and have not seen evidence to suggest a higher number.

Table 11: Assumptions (per scheme) used in familiarisation and gap analysis implementation cost estimates (for all remedies)*

Cost	One-off**	Type of Staff
Familiarisation Reading and familiarising themselves with the requirements in the remedies documentation	20 staff review the remedies documentation. Based on the length of this document and draft direction, there are 150 pages to review, and each staff member takes 7.5 hours to review the text.	Compliance Staff
Gap analysis Checking their current practices against the requirements	13 staff conduct the gap analysis. Each staff member will spend an average of 5 days on the review.	Legal Staff (used as a proxy for mix of staff)
Compliance set-up costs Establish controls which ensure that Mastercard and Visa are complying with all requirements	100 person days	Legal Staff (used as a proxy for mix of staff)

Source: PSR assumptions. Familiarisation costs reflect FCA, *Statement of Policy on Cost Benefit Analyses* (July 2024), Appendix 1, Table 8.[346] The number of staff required reflects Table 8 and the number of hours required is based on our assumptions. Assumptions for other cost items reflect feedback from the schemes [✂].[347] Assumptions on type of staff are our assumptions.

* We assume no ongoing costs.

** These assumptions remain unchanged from our draft CBA published in CP25/3.

346 As explained in CP25/3, Appendix 1, [✂].

347 As explained in CP25/3, Appendix 1, [✂].

Table 12: Assumptions (per scheme) used in ITC implementation cost estimates (different assumptions apply for Visa and Mastercard)

Cost	Visa assumptions		Mastercard assumptions*		
	One-off	Ongoing	One-off	Ongoing	Type of Staff
Change project Costs associated with changes in internal processes or governance arrangements to comply with the remedy, including associated governance costs in the first year.[348]	£[✂]	[✂]	[✂]	[✂]	[✂]
Engagement with acquirers		[✂]	[✂]	[✂]	[✂]
IT project For example, new data flows and systems such as updating portals.	£[✂]	£[✂]*	[✂]	[✂]	[✂]
External project management Commission external project management support to assist throughout the process of complying with the remedy		[✂]	£[✂]	[✂]	[✂]
Providing the required information and ongoing review Staff time needed to provide the additional information required under this remedy.[349]	[✂]	£[✂]	[✂]	[✂]	[✂]

Source: PSR assumptions. Visa's assumptions are based on [✂], and we have added estimates for potential additional cost items that were not quantified by Visa to be conservative (see paragraph 1.11 of Appendix 1). For Mastercard the assumptions are informed by [✂], noting that assumptions on type of staff are our assumptions.[350]

* Also accounts for other costs associated with providing the required information on an ongoing basis that may not be already captured in Visa's estimate.

348 For example, agreeing, formalising and communicating with relevant staff any required internal changes for the provision of fee information and how it is to be provided to acquirers. It also includes costs of providing the information and any associated governance costs in the first year.

349 This includes any activities required or related to: a) gathering information (e.g. through engagement with acquirers), providing the information in a way that complies with the remedy and any related senior staff review and approval; b) producing, reviewing and approving the compliance report to be submitted to the PSR; and c) keeping the ITC Compliance Policy under review and making any changes to it.

350 [✂].

We note that some of the assumptions for [✂] are also informed by FCA, *Statement of Policy on Cost Benefit Analyses* (July 2024), Annex 1, Tables 12-14 (with some adjustments [✂]).

Table 13: Assumptions (per scheme) used in pricing governance cost estimates (same assumptions apply to Visa and Mastercard)

Cost	One-off	Ongoing	Type of Staff
Providing the required information Staff required to produce and retain the Decision Records.	4.5 FTE across the business.	Same as one-off cost in the first year (i.e. 4.5 FTE).	Project Manager (as a proxy for mix of staff)
Change project* Costs associated with changes in internal processes or governance arrangements to comply with the remedy, including associated governance costs in the first year.[351]	1 senior manager, 1 project manager and 3 project team members each working approximately 150 project days. We also include 3 Executive Committee days for sign-off.	N/A	Senior manager, project manager, project team members, and Executive Committee Member
Ongoing governance costs* Ensure any Decision Records produced go through the required governance. Also, to produce, review and sign-off AO and PGCR (and submit it to PSR).		0.75 FTE on an ongoing basis. We also include 3 Executive Committee days for sign-off.	Project Manager (as a proxy for mix of staff) and Executive Committee Member
Staff training* Initial staff training for employees involved in the preparation, review, or delivery of Decision Records.	200 staff receive 1 day (7 hours) of training. Classes hold 15 staff and are delivered by staff who will need 48 hours to develop the training. Staff members that receive training will require 0.25 days after training to familiarise themselves with the material.	Ongoing training costs of 20% of the initial cost.	Legal (as a proxy for staff delivering the training). Project Manager (as a proxy for mix of staff receiving training).
External Project Management* Commission external project management support to assist throughout the process of complying with the remedy	£300,000	N/A	N/A

Source: Assumptions reflect feedback from the schemes [✂],[352] [✂]. Assumptions on type of staff are our assumptions.
* These assumptions remain unchanged from our draft CBA published in CP25/3.

351 For example, to ensure any that AFDRs produced go through the required governance and to ensure the same for producing, reviewing and sign off of the Annual Overview (AO) and Pricing Governance Compliance Report (PGCR) and submit it to us.

352 As explained in CP25/3, Appendix 1, [✂].
[✂].
[✂].
[✂].
[✂]. [✂]. Based on these qualitative responses, we assume 20% ongoing training costs.

Total cost of employee assumptions

1.23 Our model calculates the total cost of employee based on the latest available salary data from the ONS's Annual Survey of Hours and Earnings (ASHE) dataset.[353] The total cost of a full-time employee per year is the annual salary with an additional 17.9% to account for national insurance and pension contributions.[354]

1.24 In response to CP25/3, Visa raised concerns that our proposed methodology did not capture the opportunity cost of diverting its key staff away from Visa's core business activities, as it said that implementing the ITC and Pricing Governance remedies would place a substantial burden on these technical experts and key Visa employees, who are 'already fully utilised'.[355] We disagree with Visa because our estimate of total cost of employee is the standard approach to take account of the opportunity cost of staff time used in regulatory impact assessments by FCA and government. As the FCA Statement of Policy explains,[356] we assume that the value to the business of an hour of labour is at least equal to the hourly cost of labour (the cost to business of employing the worker, i.e. the wage plus pensions, National Insurance, etc.), otherwise they would not employ them. Then every hour spent on regulatory compliance creates an opportunity cost equal to the hourly cost of labour. The business is effectively paying for regulatory compliance activity rather than usual business activities.

1.25 We did not receive other stakeholder comments related to our assumptions on total cost of employees. Therefore, our assumptions are the same as those presented in the draft CBA in CP25/3, except that we have updated the salary data to use 2025 ONS ASHE data instead of 2024 ASHE data.

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353 Specifically, we have used salary data from Table 14.7(a) of the October 2025 ONS ASHE dataset: Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14.

We have typically used the 80th percentile of the salary ranges from the data in the ASHE dataset. This is because: (i) we are assuming Mastercard and Visa's employees are based in London where salaries are above the national average and (ii) because we want to be conservative in our estimates of costs.

354 This follows the Department for Business and Trade's approach, which recommends a non-wage labour cost uplift of 17.9%. Paragraph 9.11 of FCA, *Statement of Policy on Cost Benefit Analyses* (July 2024) provides more information on this.

355 Visa response to CP25/3, Annex 1, paragraph 1.33.

356 FCA, *Statement of Policy on Cost Benefit Analyses* (July 2024), pages 51 and 52.

1.26 The assumptions on the total cost of employee used in our cost estimates are set out in Table 14 below. This table sets out the type of staff considered in our cost estimates, the job title for those staff salaries, the annual salary from the ASHE dataset for the 80th percentile of the available salary range, as well as our calculated total cost of employee. In our cost estimates, we have taken a conservative approach to selecting the relevant type of staff, e.g. where we have options to choose from several types of staff, we choose the option with the higher salary (where relevant). For example, to be conservative we use total cost of employee for legal staff and for project managers as a proxy for a mix of staff.

Table 14: Annual total cost of employee by type of staff at 80th salary percentile

Type of staff	ASHE dataset job title	Annual salary per 1 FTE	Total cost of employee
Compliance staff	Regulatory Associate Professionals	£56,531	£66,650
Legal	Solicitors and lawyers	£81,138	£95,662
Business analysts, designers, programmers/ coders, testing staff	Programmers and software development professionals	£81,474	£96,058
Project managers	Business and financial project management professionals	£81,912	£96,574
Senior managers	Functional managers and directors n.e.c.	£107,286	£126,490
Project team members	Project support officers	£43,140	£50,862
HR training professional	Human resources and industrial relations officers	£44,756	£52,767
Executive committee	Chief executives and senior officials	£152,432	£179,717
Finance analyst	Finance and investment analysts and advisers	£72,539	£85,523

Source: ONS ASHE 2025 dataset. Total cost of employee is PSR's calculation.

1.27 To convert the annual cost of employee to cost of employee per day or per hour, we have assumed that:

a. all staff work 220 days per year

b. all staff work 7 hours per day

1.28 We have assumed the following composition of the team delivering the IT project as part of the ITC remedies. This is unchanged from CP25/3.

Table 15: Composition of team delivering IT project

Job type	Number of staff
Business analysis	4
Design	4
Programming / coding	12
Project management	10
Testing	4
Senior management	6

Source: Assumptions for IT projects are based on FCA, *Statement of Policy on Cost Benefit Analyses* (July 2024), Annex 1, Tables 12 to 14.

Assumptions on the impact of materiality thresholds

1.29 Submissions from the schemes on the impact of materiality thresholds on costs and benefits are summarised in Annex 1.

1.30 In the case of ITC, we made the assumptions below based on the submissions from the schemes:

- The level of one-off cost saving of any materiality threshold was, in their view, immaterial for Visa and zero for Mastercard, unless it applied to both ITC1 and ITC2.[357] On this basis, [✂] and [✂].[358]
- Visa said that the ongoing costs of providing Enhanced Transparency information for ITC for new fees/billing lines and updating information when fees are modified would be in the order of £[✂] per annum if there is no materiality threshold, and in the order of £[✂] per annum if a materiality threshold of £[✂] applied to the ITC remedies.[359] However, there is limited evidence or analysis from Visa to support these high estimates for ongoing costs (whether with or without a threshold). We consider that the reduced annual cost of £[✂] is likely to be the cost if a materiality threshold is applied to ITC2 only.[360] This is because we see no reason for material ongoing

357 This follows from the submissions we received from the schemes on the level of costs associated with thresholds on ITC. Visa response to [✂]; Visa response to [✂]; Mastercard response to [✂].

358 As explained earlier (paragraph 1.11 of Appendix 1), we also assume an additional £[✂] to account for other potential costs that may not be already captured in Visa's estimate.

359 Visa noted that '… there would be some additional cost associated with producing Enhanced Information for new fees/billing lines and updating information when fees are modified, in line with the requirements of Standard C. However, we expect that this additional cost would be relatively low compared to the significant upfront cost associated with producing Enhanced Information for a substantial number of existing fees/billing lines. Indeed, with an appropriately scoped materiality threshold (set at £[✂]), we anticipate that the additional cost associated with this activity would likely be in the order of £[✂] per annum…'. See Visa's response to [✂].

360 As explained earlier (paragraph 1.11 of Appendix 1), we also assume an additional £[✂] ongoing costs to account for other potential costs that may not be already captured in Visa's estimate of £[✂].

(as opposed to one-off) costs for existing fees if they are not modified. In addition, Visa did not explain whether and why there would be material ongoing costs (as opposed to one-off costs) for existing fees as long as they are not modified. Nevertheless, in our break-even analysis for the ITC remedy we conducted a sensitivity test by assuming an extreme hypothetical case of cost for providing the required information under the ITC remedy as high as £[✂] per annum (i.e. Visa's no materiality threshold estimate), which shows that our findings do not change if this figure is altered (see Annex 2, ITC break-even analysis).

- Our understanding from Mastercard's submission is that a materiality threshold for ITC 2 only doesn't affect ongoing costs, hence our assumptions for Mastercard are the same as those in the draft CBA to be conservative.[361]

1.31 We do not have data from the schemes on the extent to which a materiality threshold could result in cost savings for the Pricing Governance remedy. As set out earlier, despite increasing the level of the materiality threshold, we have increased our assumption on the total level of FTE required per year compared to the upper-bound assumption that we consulted on. This is to be conservative, and it is likely to be an overestimate.

361 As set out in Annex 1, Mastercard submitted that the costs of the remedy would not be affected by a materiality threshold for ITC2, as all fees would still be captured under ITC1. We recognise that the cost savings from a materiality threshold are likely to be limited where it applies only to ITC2. However, we consider that there is still some reduction in compliance costs, as the ability to delay the provision of information for certain billing lines allows schemes more time to incorporate these requirements into their business-as-usual processes and manage implementation more efficiently.

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